

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

**FORM 20-F**

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, 2021

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:

Commission file number: 001-39977

**Baosheng Media Group Holdings Limited**

(Exact name of Registrant as Specified in its Charter)

**Cayman Islands**

(Jurisdiction of Incorporation or Organization)

**Floor 15, Yonghe East Building B  
No.28 Andingmen East Avenue  
Dongcheng District, Beijing, China  
+86-13488886502**

(Address of Principal Executive Offices)

**Wenxiu Zhong, Chief Executive Officer  
Floor 15, Yonghe East Building B  
No.28 Andingmen East Avenue  
Dongcheng District, Beijing, China  
+86-13488886502**

(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(s)	Name of each exchange on which registered
Ordinary Shares, par value \$0.0005 per share	BAOS	The Nasdaq Stock Market LLC

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.

An aggregate of 29,260,784 ordinary shares, par value \$0.0005 per share ("Ordinary Shares"), as of December 31, 2021.

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

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

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

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

Indicate by check mark whether the registrant has submitted electronically every Interactive Data File required to be submitted pursuant to Rule 405 of Regulation S-T (§232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit such files). Yes  No

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, or a non-accelerated filer. See definition of "accelerated filer and large accelerated filer" in Rule 12b-2 of the Exchange Act. (Check one):

Large accelerated filer	<input type="checkbox"/>	Accelerated filer	<input type="checkbox"/>
Non-accelerated filer	<input checked="" type="checkbox"/>	Emerging growth company	<input checked="" 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 which basis of accounting the registrant has used to prepare the financial statements included in this filing:

U.S. GAAP	<input checked="" type="checkbox"/>	International Financial Reporting Standards as issued by the International Accounting Standards Board	<input type="checkbox"/>	Other	<input type="checkbox"/>
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If "Other" has been checked in response to the previous question, indicate by check mark which financial statement item the registrant has elected to follow: Item 17  Item 18

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

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

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

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## INTRODUCTION

“We,” “us,” “our,” or the “Company” are to Baosheng Media Group Holdings Limited, a Cayman Islands exempted company with limited liability, and its subsidiaries, as the case may be. Unless the context otherwise requires, in this annual report on Form 20-F references to:

### *Conventions that apply to this annual report*

- “An Rui Tai BVI”, are to AnRuiTai Investment Limited, a BVI business company incorporated in the BVI with limited liability in November 2018, owned as to 90% by Ms. Wenxiu Zhong and 10% by Mr. Sheng Gong;
- “Beijing Baosheng” or “WFOE” are to Beijing Baosheng Technology Company Limited, a limited liability company established in the PRC and a direct wholly-owned subsidiary of Baosheng Hong Kong;
- “Baosheng BVI” are to Baosheng Media Group Limited, a BVI (as defined below) business company incorporated with limited liability under the laws of the BVI;
- “Baosheng Group” are to Baosheng Media Group Holdings Limited, an exempted company with limited liability incorporated under the laws of the Cayman Islands;
- “Baosheng Hong Kong” are to Baosheng Group’s wholly owned subsidiary, Baosheng Media Group (Hong Kong) Holdings Limited, a Hong Kong company with limited liability;
- “Baosheng Network” are to Beijing Baosheng Network Technology Co., Ltd., a limited liability company established in the PRC and a direct wholly-owned subsidiary of Baosheng Hong Kong;
- “Baosheng Technology” are to Baosheng Technology (Horgos) Company Limited, a limited liability company established in the PRC and a direct wholly-owned subsidiary of Beijing Baosheng (as defined below);
- “Beijing Xunhuo” are to Beijing Xunhuo E-commerce Co., Ltd., a limited liability company established in the PRC and a direct wholly-owned subsidiary of Baosheng Network;
- “BVI” are to the British Virgin Islands;
- “China” or the “PRC” are to the People’s Republic of China, excluding Taiwan and the special administrative regions of Hong Kong and Macau for the purposes of this annual report only;
- “Deng Guan BVI” are to Deng Guan Investment Limited, a BVI business company incorporated in the BVI with limited liability in November 2019 and is wholly owned by Mr. Hui Yu;
  - “EJAM BVI” are to EJAM New Media Holdings Limited, a BVI business company incorporated in the BVI with limited liability in November 2019 and is a direct wholly owned subsidiary of EJAM International (as defined below);
  - “Etone Investment” are to Etone Investment Development Limited, a BVI business company incorporated in the BVI with limited liability in May 2016 and is wholly owned by Mr. Baotian Guo;
  - “Everlasting Innovation” are to Everlasting Innovation Development Limited, a business company incorporated in the BVI with limited liability in July 2018 and is wholly owned by Mr. Kei Ming Wang;
  - “Horgos Baosheng” are to Horgos Baosheng Advertising Company Limited, a limited liability company established in the PRC and a direct wholly-owned subsidiary of Beijing Baosheng;

- “Kashi Baosheng” are to Kashi Baosheng Information Technology Company Limited, a limited liability company established in the PRC and a direct wholly-owned subsidiary of Beijing Baosheng;
- “PBCY Investment” are to PBCY Investment Limited, a business company incorporated in the BVI with limited liability in November 2018, and is owned as to 86.35% by Pubang Landscape (as defined below) through Pubang Hong Kong (as defined below) and 13.65% by Mr. Chan through CYY Holdings;
- “shares,” “Shares,” or “Ordinary Shares” are to the ordinary shares of the Company, par value US\$0.0005 per share;
- “Warrants” are to the warrants we issued to the Selling shareholders in a private placement closed on March 18, 2021. One Warrant includes the right to purchase one half of one Ordinary Share at an exercise price of \$5.61 per Ordinary Share; and
- “we,” “us,” or the “Company” are to one or more of Baosheng Group, and its subsidiaries, as the case may be.

#### ***Glossary of Technical Terms***

- “ad inventory” are to the space available to advertisers on digital platforms in the online marketing industry;
- “ad” are to an advertisement;
- “audiences” are to the recipients of information (including advertisements);
- “authorized agency status” are to the qualification to serve as a designated agency for the media in identifying and procuring advertisers to purchase ad inventory from the media, facilitating the transaction process, and assisting ad deployment. See “Item 4. Information on the Company — 4.B. Business Overview” in this annual report for more information on our authorized agency status with media.
- “feed” are to an internet service in which updates from electronic information sources are presented in a continuous stream;
- “in-feed ad” are to a form of ads that are typically placed in article and content feeds and mimic the surrounding site design and aesthetics so that the articles or content feeds are mixed with the in-feed ads providing the audience an uninterrupted content flow;
- “KOL marketing” are to a form of marketing activities by which a brand, advertising agency or media works with individuals, also known as key opinion leaders, or KOLs, to drive brand messages to meet strategic goals;
- “key opinion leaders” or “KOL” are to individuals deemed to have the potential to create engagement, drive conversation or sell products or services with the intended target audience. These individuals can range from being celebrities to more micro-targeted professional or nonprofessional “peers”;
- “mobile app ad” are to a form of ads which are served on apps in various formats such as display ads and video ads, and for the purpose of this annual report excluding in-feed ads;
- “mobile app” are to a computer program or software application designed to run on a mobile device such as phone, tablet, or watch;
- “social media marketing” are to the use of social media platforms and websites to promote a product or service, including the distribution of KOL content which may be framed as testimonial advertising where they play the role of a potential buyer themselves, or they may be third parties;
- “ad currency unit” are to a kind of virtual currency that needs to be purchased from relevant media for use in acquiring their ad inventory;

- “CPA” are to cost per acquisition, an online advertising pricing model where the advertiser pays for a specified acquisition;
- “CPC” are to cost per click, an online advertising pricing model where an advertiser pays a media (typically a search engine, website owner, or a network of websites) when the ad is clicked;
- “CPM” are to cost per mille, an online advertising pricing model where an advertiser pays for one thousand views or clicks of an advertisement;
- “CPP” are to cost per post, an online advertising pricing model where an advertiser pays for each posting of contents, usually by a KOL;
- “CPT” are to cost per time, an online advertising pricing model where an advertiser pays for an advertisement to be placed for a set amount of time;
- “DMP” are to data management platform, a technology platform used for collecting and managing data, mainly for digital marketing purposes;
- “DSP” are to demand-side platform, a system that allows buyers of digital advertising inventory to manage multiple ad exchange and data exchange accounts through one interface;
- “gross billing” are to the actual dollar amount of advertising spend of advertisers, net of any rebates and discounts given to those advertisers;
- “gross media costs” are to the costs paid to media for acquisition of ad inventory without being offset by rebates received from media;
- “media costs” are to the costs for acquisition of ad inventory or other advertising services from media and other advertising service providers as offset by rebates we receive from the relevant media and advertising service providers (if any);
- “performance-based advertising” are to a form of advertising in which the purchaser pays only when there are measurable results (e.g., number of purchases, downloads, and registrations);
- “SEM” are to search engine marketing, a form of online marketing that involves the promotion of websites by increasing their visibility in search engine results pages and search-related products and services; and
- “SSP” are to supply-side platform, a technology platform to enable media owners to manage their ad inventory, fill it with ads, and receive income.

### **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:

- assumptions about our future financial and operating results, including revenues, income, expenditures, cash balances and other financial items;

- our ability to execute our growth, and expansion, including our ability to meet our goals;
- current and future economic and political conditions;
- our ability to compete in the highly-competitive advertising service industry;
- our capital requirements and our ability to raise any additional financing which we may require;
- our ability to attract clients and further enhance our brand recognition;
- our ability to hire and retain qualified management personnel and key employees in order to enable us to develop our business;
- trends and competition in the advertising service industry;
- the future development of the COVID-19 pandemic; and
- other assumptions described in this annual report underlying or relating to any forward-looking statements.

These forward-looking statements involve various risks and uncertainties. Although we believe that our expectations expressed in these forward-looking statements are reasonable, our expectations may later be found to be incorrect. Our actual results could be materially different from our expectations. Other sections of this annual report include additional factors that could adversely impact our business and financial performance. Moreover, we operate in an evolving environment. New risk factors and uncertainties emerge from time to time and it is not possible for our management to predict all risk factors and uncertainties, nor can we assess the impact of all factors on our business or the extent to which any factor, or combination of factors, may cause actual results to differ materially from those contained in any forward-looking statements. You should read thoroughly this annual report and the documents that we refer to with the understanding that our actual future results may be materially different from, or worse than, what we expect. We qualify all of our forward-looking statements by these cautionary statements.

This annual report contains certain data and information that we obtained from various government and private publications. Statistical data in these publications also include projections based on a number of assumptions. The insurance industry may not grow at the rate projected by market data, or at all. Failure of this market to grow at the projected rate may have a material and adverse effect on our business and the market price of the Ordinary Shares. In addition, the rapidly evolving nature of this industry results in significant uncertainties for any projections or estimates relating to the growth prospects or future condition of our market. Furthermore, if any one or more of the assumptions underlying the market data are later found to be incorrect, actual results may differ from the projections based on these assumptions. You should not place undue reliance on these forward-looking statements.

The forward-looking statements made in this annual report relate only to events or information as of the date on which the statements are made in this annual report. Except as required by law, we undertake no obligation to update or revise publicly any forward-looking statements, whether as a result of new information, future events or otherwise, after the date on which the statements are made or to reflect the occurrence of unanticipated events. You should read this annual report and the documents that we refer to in this annual report and exhibits to this annual report completely and with the understanding that our actual future results may be materially different from what we expect.

**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**

**A. [Reserved]**

**B. Capitalization and Indebtedness**

Not applicable.

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

Not applicable.

**D. Risk Factors**

**Summary of Risk Factors**

Investing in our Ordinary Shares involves significant risks. You should carefully consider all of the information in this annual report before making an investment in our Ordinary Shares. Below please find a summary of the principal risks we face, organized under relevant headings. These risks are discussed more fully in the section titled “Item 3. Key Information—D. Risk Factors” in this annual report.

***Risks Related to our Business and Industry***

Risks and uncertainties related to our business and industry include, but are not limited to, the following:

- Cutbacks on advertising budgets by advertisers, changes in rebate and incentive policies by the media, failure to maintain and grow our advertiser base and secure emerging media resources could all materially and adversely affect our business and financial condition.
- If we fail to maintain our relationships with our business stakeholders, mainly advertisers and media, our business, results of operations, financial condition and business prospects could be materially and adversely affected.
- Failure to appropriately evaluate the credit profile of our advertisers or effectively manage our credit risk associated with credit terms granted to our advertisers and/or delay in settlement of accounts receivable from our advertisers could materially and adversely impact our operating cash flow and may result in significant provisions and impairments on our accounts receivable which in turn would have a material adverse impact on our business operations, results of operation, financial condition and our business pursuits and prospects.
- As we continue to strive for business growth, we may continue to experience net cash outflow from operating activities, and we cannot assure you that we can maintain sufficient net cash inflows from operating activities.
- Our limited operating history in a rapidly evolving industry makes it difficult to accurately forecast our future operating results and evaluate our business prospects.

- Certain customers contributed to a significant percentage of our total revenue during the fiscal years 2021, 2020, and 2019, and losing one or more of them could result in a material adverse impact on our financial performance and business prospects.
- We are in the highly competitive online advertising service industry and we may not be able to compete successfully against existing or new competitors, which could reduce our market share and adversely affect our competitive position and financial performance.
- If we fail to improve our services to keep up with the rapidly changing demands, preferences, advertising trends or technologies in the online advertising industry, our revenues and growth could be adversely affected.
- Limitations on the availability of data and our ability to analyze such data could significantly restrict our optimization capability and cause us to lose advertisers, which may harm our business and results of operations.
- The regulatory environment of the online advertising industry is rapidly evolving. If we fail to obtain and maintain the requisite licenses and approvals as applicable to our businesses in China from time to time, our business, financial condition and results of operations may be materially and adversely affected.
- If our advertisers delay in settlement of our accounts receivable or if we are unable to issue invoices to our advertisers on a timely basis, our business, financial condition and results of operations may be materially and adversely affected.
- The ongoing effects of COVID-19 in China may have a material adverse effect on our business.

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

- Adverse changes in political and economic policies of the PRC government could have a material adverse effect on the overall economic growth of the PRC, which could reduce the demand for our products and materially and adversely affect our competitive position.
- Uncertainties regarding interpretation and enforcement of the laws, rules and regulations in China may impose adverse impact on our business, operations and profitability.
- Regulation and censorship of information disseminated through the Internet in China may adversely affect our business in China, and we may be liable for content disseminated by us through the Internet.
- Changes in the policies, regulations, rules, and the enforcement of laws of the PRC government may be quick with little advance notice and could have a significant impact upon our ability to operate profitably in the PRC.
- Any actions by the Chinese government, including any decision to intervene or influence our operations or to exert control over any offering of securities conducted overseas and/or foreign investment in China-based issuers, may cause us to make material changes to our operations, may limit or completely hinder our ability to offer or continue to offer securities to investors, and may cause the value of such securities to significantly decline or be worthless.
- Recent greater oversight by the Cyberspace Administration of China, or the CAC, over data security, particularly for companies seeking to list on a foreign exchange, could adversely impact our business and our offering.
- The Opinions on Severely Cracking Down on Illegal Securities Activities According to Law recently issued by the General Office of the Central Committee of the Communist Party of China and the General Office of the State Council may subject us to additional compliance requirement in the future.
- Labor Contract Law and other labor-related laws in the PRC may adversely affect our business and our results of operations.
- Under the Enterprise Income Tax Law, we may be classified as a “Resident Enterprise” of China. Such classification will likely result in unfavorable tax consequences to us and our non-PRC shareholders.

- PRC regulation of loans to and direct investment in PRC entities by offshore holding companies and governmental control of currency conversion may delay or prevent us from using proceeds from our future financing activities to make loans or additional capital contributions to our PRC operating subsidiaries, which could materially and adversely affect our liquidity and our ability to fund and expand our business.
- We may rely on dividends paid by our subsidiaries for our cash needs, and any limitation on the ability of our subsidiaries to make payments to us could have a material adverse effect on our ability to conduct business.
- Failure to comply with PRC regulations relating to the establishment of offshore special purpose companies by PRC residents may subject our PRC resident Shareholders to personal liability, may limit our ability to acquire PRC companies or to inject capital into our PRC subsidiaries, may limit the ability of our PRC subsidiaries to distribute profits to us or may otherwise materially and adversely affect us.
- We may be unable to complete a business combination transaction efficiently or on favorable terms due to complicated merger and acquisition regulations and certain other PRC regulations.
- You may have difficulty effecting service of legal process, enforcing judgments or bringing actions against us and our management.
- U.S. regulatory bodies may be limited in their ability to conduct investigations or inspections of our operations in China.
- Recent joint statement by the SEC and the PCAOB proposed rule changes submitted by Nasdaq, and the Holding Foreign Companies Accountable Act all call for additional and more stringent criteria to be applied to emerging market companies upon assessing the qualification of their auditors, especially the non-U.S. auditors who are not inspected by the PCAOB. These developments could add uncertainties to our offering.

***Risks Related to Our Ordinary Shares***

Risks and uncertainties related to our Ordinary Shares include, but are not limited to, the following:

- Our share price has recently declined substantially, and our ordinary shares could be delisted from the Nasdaq or trading could be suspended.
- We cannot assure you that we will declare and distribute any dividends in the future.
- For as long as we are an emerging growth company, we will not be required to comply with certain reporting requirements, including those relating to accounting standards and disclosure about our executive compensation, that apply to other public companies.
- If we fail to establish and maintain proper internal financial reporting controls, our ability to produce accurate financial statements or comply with applicable regulations could be impaired.
- As a foreign private issuer, we are not subject to certain U.S. securities law disclosure requirements that apply to a domestic U.S. issuer, which may limit the information publicly available to our shareholders.
- As a foreign private issuer, we are permitted to adopt certain home country practices in relation to corporate governance matters that differ significantly from the Nasdaq Stock Market corporate governance listing standards. These practices may afford less protection to shareholders than they would enjoy if we complied fully with corporate governance listing standards.

## Risks Related to Our Business and Industry

***Cutbacks on advertising budgets by advertisers, changes in rebate and incentive policies by the media, failure to maintain and grow our advertiser base and secure emerging media resources could all materially and adversely affect our business and financial condition.***

We derive our revenue (i) from rebates and incentives offered by media (or their authorized agencies) for procuring advertisers to place advertisements with them, which are usually calculated with reference to the advertising spend of our advertisers and are closely correlated to our gross billing from advertisers, netting of rebates to advertisers (if any); and (ii) from net fees from advertisers, which are essentially the fees we charge our advertisers (i.e. gross billing), net of the media costs and other costs of procuring advertising services we incurred on their behalf. Accordingly, our revenue base and our profitability are very much driven by our gross billing with our advertisers, and the relevant media's rebate policies which determine, among other things, the rates of rebates we receive from media (or their authorized agencies).

The willingness of advertisers to spend their online advertising budget through us is critical to our business and our ability to generate grossing billing. Our advertisers' demand for advertising services can be influenced by a variety of factors including:

- (i) Macro-economic and social factors: domestic, regional and global social, economic and political conditions (such as concerns over a severe or prolonged slowdown in China's economy and threats of political unrest), economic and geopolitical challenges (such as trade disputes between countries such as the United States and China), economic, monetary and fiscal policies (such as the introduction and winding-down of qualitative easing programs).
- (ii) Industry-related factors: such as the trends, preferences and habits of audiences towards online media and their receptiveness towards online advertising as well as the development of emerging and varying forms of online media and contents.
- (iii) Advertiser-specific factors: an advertiser's specific development strategies, business performance, financial condition and sales and marketing plans.

A change in any of the above factors may result in significant cutbacks on advertising budgets by our advertisers, which would not only result in a reduction of our revenue, but would also weaken our negotiating position with media on rebate policies and negatively impact our ability to earn advertising spend-driven rebates and incentives from media. As a result, our business, results of operations and financial condition could be materially and adversely affected.

Besides, media (or their authorized agencies) may change the rebate and incentive policies offered to us based on the prevailing economic outlook, competitive landscape of the online advertising market, and their own business strategy and operational targets. For instance, a media may reduce the rate of rebates offered to us due to changes in its business strategies, resource reallocation, increased popularity and demand for their media resources, or may adjust their incentive programs or their benchmarks and measuring parameters for incentive offerings based on their changing marketing and target audience strategies. If media impose rebate and incentive policies that are less favorable to us, our revenue, results of operations and financial condition may be adversely affected.

On the other hand, we may offer rebates to our advertisers. The level of rebates we offer to our advertisers is determined case by case with reference to the rebates and incentives we are entitled to receive from the relevant media (or its authorized agency), an advertiser's committed total spend, our business relationships with such advertiser and the competitive landscape in the online advertising industry. If it emerges that an increase in the rate of rebate to our advertisers is necessary for us to remain competitive or align with the emerging competitive environment, our revenue and profitability may reduce. As a result, our results of operations and financial condition could be materially and adversely affected.

Our ability to maintain our advertiser base and attract new advertisers is, to a significant extent, associated with our ability to secure popular and emerging media resources sought after by our advertisers. We believe our authorized agency status with media and the large number of media we work with have helped us attract advertisers and contributed to our revenue and advertiser base. However, there is no assurance that we will be able to maintain such authorized agency status in the future, or that these media will remain popular among our advertisers in the future. The online advertising industry is dynamic. New media and innovative advertising formats are constantly introduced into the market, while existing media may lose market visibility and audience base. If the media with which we have authorized agency status lose their audience popularity or market visibility, or are no longer preferred by our advertisers, or if we fail to secure authorized agency status with new media of emerging popularity or preferred by our advertisers, we may lose our advertiser base and their advertising spend through us. In such event, our business, results of operations, financial condition and future prospects could be materially and adversely affected.

***If we fail to maintain our relationships with our business stakeholders, mainly advertisers and media, our business, results of operations, financial condition and business prospects could be materially and adversely affected.***

We regard our business value as revolving around our ability to serve the needs of two major business stakeholders: advertisers and media. Further, our main sources of revenue are (i) rebates and incentives from media (or their authorized agencies); and (ii) the net fees we earn from advertisers. Hence, our success depends on our ability to, among other things, develop and maintain relationships with our existing advertisers and media partners and attract new ones.

#### *Relationship with our advertisers*

Our advertiser base comprises direct advertisers, as well as third-party advertising agencies which places advertisements for their advertiser clients through us. The number of advertisers we served decreased slightly from 438 in 2019 to 410 in 2020, and increased to 462 in 2021.

We would usually enter into framework agreements with advertisers who intend to acquire ad inventory through us over a period of time (usually a year or shorter). If we are asked to run a specific advertising campaign for a short period (usually for our social media marketing services), we may enter into one-off agreements with the advertisers. Our contracts with our advertisers generally do not include exclusive obligations to use our services, and our advertisers are generally free to place their ads through other advertising agencies or work with multiple advertising agencies on a specific advertising campaign.

If our relationships with our advertisers deteriorate for any reason (for instance, our advertiser is dissatisfied with the effectiveness of the advertising campaigns run through us), or our advertisers switch to other advertiser because they are offer better terms (such as more competitive rebates and discounts), or if our advertisers reduce their advertising budget to be spent through us, they may reduce or cease using our advertising services.

Hence, we cannot assure you that our advertisers will continue to use our services or that we will be able to replace, in a timely or effective manner, departing advertisers with potential new advertisers. If we fail to retain our existing advertiser base or increase their advertising spend through us, or to provide effective advertising services or pricing structures to attract new advertisers, the demand for our advertising services will not grow and may even decrease, which could materially and adversely affect our revenue and profitability.

#### *Relationship with our media*

We have established and maintained relationships with a wide range of media and their authorized agencies as well as agencies of KOLs, which offer our advertisers a diverse choices ad formats, including search ads, in-feed ads, mobile app ads and social media ads. Our future growth will depend on our ability to maintain our relationships with existing media partners as well as building partnerships with new media.

In particular, we act as authorized agency for some popular online media, such as sm.cn (神马), UC browsers (UC浏览器), and Today's Headline (今日头条), to help them procure advertisers to buy their ad inventory and facilitate ad deployment on their advertising channels. As media's authorized agency, our relationships with the media are mainly governed by agency agreements which provide for, among other things, credit periods and the rebate policies offered to us. These agency agreements typically have a term of one year, and are subject to renewal upon expiry. The commercial terms under the agency agreements are subject to renegotiation when they are renewed. Besides, media usually retain the right to terminate the authorized agency relationship based on business needs at their discretion.

Hence, there is no assurance that we can maintain stable business relationships with any media or their authorized agencies. Further, there is no guarantee that the media will continue to rely on authorized agencies to acquire and serve advertisers. Besides, our relationships with our media could be adversely affected if we cannot meet the target minimum advertising spend stipulated in the relevant agency agreements.

If any media ends its cooperative relationship with us or terminates our authorized agency status, or imposes commercial terms which are less favorable to us, or we fail to secure partnerships with new media partners, we may lose access to the relevant advertising channels, sustain advertiser deflection, and suffer revenue drop. As a result, our business, results of operations, financial condition and prospects might be materially and adversely affected.

Also, our business depends on our media to deliver their advertising services on their platforms (such as search engines, mobile apps and social media platforms), which in turn rely on the performance, reliability and stability of the internet infrastructure and telecommunications systems. Since we rely on the performance of our media to deliver ads for our advertisers, any interruption or failure of their information technology and communications systems may undermine the delivery of our advertising services and cause us to lose advertisers. All in all, any interruption or failure of the internet infrastructure and telecommunications systems could impair our ability to effectively deliver ads and provide our services, and could cause us to lose advertisers, and our business, financial condition and results of operations would be adversely affected.

In addition, we depend on the accuracy and genuineness of advertising performance data and other data provided by media in evaluating the effectiveness of our advertisers' advertising campaigns and calculating the amount of rebates or incentives that we are entitled to receive from our media. If the advertising performance data or other data provided by media is inaccurate or fraudulent, it may undermine our optimization efforts to achieve better performance for our advertisers' ads. This could also result in disputes with our advertisers and media, harm to our reputation and loss of our advertisers and media, and adversely affect our business, results of operations and financial condition.

***Failure to appropriately evaluate the credit profile of our advertisers or effectively manage our credit risk associated with credit terms granted to our advertisers and/or delay in settlement of accounts receivable from our advertisers could materially and adversely impact our operating cash flow and may result in significant provisions and impairments on our accounts receivable which in turn would have a material adverse impact on our business operations, results of operation, financial condition and our business pursuits and prospects.***

Our gross accounts receivable increased from \$57.1 million as of December 31, 2019 to \$69.9 million as of December 31, 2020, and decreased to \$62.8 million as of December 31, 2021, of which \$16.2 million, \$26.7 million and \$39.8 million, representing approximately 28.4%, 38.2%, and 63.4% of our gross accounts receivable, respectively, were outstanding for over six months as of the respective period end. As of December 31, 2021, 2020 and 2019, we made bad debt allowance of \$6.4 million, \$4.7 million and \$2.5 million against our gross outstanding accounts receivable.

The increase in the accounts receivable aging over the fiscal year as of December 31, 2021 was mainly due to the delayed payment from our customers as their business performance was affected by the COVID-19 pandemic, and their collection of payment from the end advertisers was also adversely impacted. In addition, government authority of Horgos took certain measures to control the development of the COVID-19 pandemic, including prohibiting any express delivery from leaving Horgos, which was lifted subsequently in May 2021. Some of the sales invoices that were issued by Horgos Baosheng could not be delivered to our customers in time, which lengthen the payment process of our customers.

We attributed our growth of our gross accounts receivable during the fiscal years ended December 31, 2020 and 2021 to delayed payment from our customers as they were affected by the outbreak of COVID-19. We attributed the substantial growth of our gross accounts receivable during the fiscal years ended December 31, 2019 and 2018, particularly in the fiscal year 2018, partly to the growth in our gross billing (which represented 28.2% of our gross billing of \$202.7 million for the fiscal year 2019 and 40.4% of our gross billing of \$150.6 million for the fiscal year 2018), and the temporary delay and suspension of issuance of tax invoices by the relevant government authority of Horgos since April 2018, rendering us not being able to invoice our advertisers for their advertising spend, and effectively lengthening the actual collection periods of the receivables due from the affected advertisers. See also “— Risks Related to Our Business and Industry — If our advertisers delay in settlement of our accounts receivable or if we are unable to issue invoices to our advertisers on a timely basis, our business, financial condition and results of operations may be materially and adversely affected.”

Regardless, given our “agency-based” business model and that we earn our revenue on a net basis but have accounts receivable from advertisers based on our gross billing, we are particularly sensitive and susceptible to credit risk. Our gross accounts receivable as of December 31, 2021, 2020 and 2019 represented 101.7%, 51.8% and 28.2% of our gross billing, respectively, with gross accounts receivable outstanding over six months represented 71.8%, 19.8% and 8.0% of our gross billing for the fiscal years 2021, 2020 and 2019, respectively. While we have implemented policies and measures with the aim of improving our management of credit risk and have expanded our efforts in the collection of overdue or long outstanding accounts receivable, and while the effect of the suspension of tax invoice issuance in Horgos has gradually subsided since the second quarter of 2019, there is no assurance that our substantial accounts receivable position with respect to our reported revenue (on a net basis) will not persist in the future given the nature of our business. Any deterioration of credit profile of our advertisers or any failure or delay in their settlement of our accounts receivable could put tremendous pressure on our operating cash flow, and may result in material and adverse impact on our business operations, results of operations and financial condition.

***As we continue to strive for business growth, we may continue to experience net cash outflow from operating activities, and we cannot assure you that we can maintain sufficient net cash inflows from operating activities.***

We reported net cash used in operating activities of \$31.2 million for fiscal year 2021, net cash used in operating activities of \$3.4 million for the fiscal year 2020 and net cash provided by operating activities of \$9.4 million for fiscal year 2019. During the fiscal years ended December 31, 2021, 2020 and 2019, certain media we procured for our advertisers required prepayment or offer relatively short credit periods to us. While we have used reasonable endeavor to align credit terms granted to us in connection with a particular media when we offered credit terms to advertisers using the relevant media, in cases where we engaged in cross-selling of ad inventories or services of different media to our existing advertisers, we usually aligned the credit terms we offer to such advertisers to the most favorable terms offered to us among the media used. Moreover, we may offer more competitive terms to selected advertisers of established business relationship with us or of significant size, with significant market impact or strategic value, while their choices of media may not offer comparable credit terms to us or at all. In addition, during the fiscal years ended December 31, 2021, 2020 and 2019, we were required by certain media (or their authorized agencies) to place deposits as performance security, among other things of a similar nature, and we may elect to pay deposit associated with committed advertising spend on behalf of selected advertisers as required by certain media before running their advertising campaigns. We consider the above practices to be generally in line with industry practice and competitive landscape, and we expect these practices to continue in the foreseeable future.

All the above have contributed to a temporal mismatch in our operating cash flow, as such impact is generally positively correlated with our business volume. As we further expand our business, our requirement for business running capital and other payments (such as capital expenditures) will increase. Our operations may not generate sufficient cash flows to meet our operating and capital requirements in the future. Historically we have utilized peer-to-peer and third-party short-term borrowings to supplement our operating cash flow shortage from time to time. See “Item 5. Operating and Financial Review and Prospects — B. Liquidity and Capital Resources — Cash Flows — Financing Activities.” We cannot assure you that going forward we will be able to reverse back to a net operating cash inflow position, or generate sufficient cash inflow from our operations or obtain adequate debt or equity financing at reasonable costs, or at all, to meet such requirements. If we fail to successfully manage our working capital or acquire adequate funding to finance our expansion, our ability to pay our media and employees and otherwise fund our operations and expansion could be impaired, and our business, financial condition and results of operations may be materially and adversely affected.

***Our limited operating history in a rapidly evolving industry makes it difficult to accurately forecast our future operating results and evaluate our business prospects.***

We substantially commenced developing our online advertising service business since the arrival of Ms. Wenxiu Zhong, our founder, chairperson of the board, and the chief executive officer of our Company, in 2015, and have since seen rapid growth. We expect we will continue to expand as we seek to expand our advertiser and media bases and explore new market opportunities, including establishing our own KOL network. However, due to our limited operating history, our historical growth rate may not be indicative of our future performance. Our future performance may be more susceptible to certain risks than a company with a longer operating history in a different industry. Many of the factors discussed below could adversely affect our business and prospects and future performance, including:

- our ability to maintain, expand and further develop our relationships with advertisers to meet their increasing demands;
- our ability to maintain our first-tier agency relationships with our key media and further develop agency relationships with popular media of different and emerging media formats;
- our ability to introduce and manage the development of new services;
- the continued growth and development of the online advertising industry;
- our ability to keep up with the technological developments or new business models of the rapidly evolving online advertising industry;
- our ability to attract and retain qualified and skilled employees;
- our ability to effectively manage our growth; and
- our ability to compete effectively with our competitors in the online advertising industry.

We may not be successful in addressing the risks and uncertainties listed above, among others, which may materially and adversely affect our business, results of operations, financial condition and future prospects.

***Certain customers contributed to a significant percentage of our total revenue during the fiscal years 2021, 2020 and 2019, and losing one or more of them could result in a material adverse impact on our financial performance and business prospects.***

During the fiscal years 2021, 2020 and 2019, we derived most of our revenues from a few customers. Our five largest customers in the fiscal years 2021, 2020 and 2019 accounted for 96.0%, 89.9% and 79.2% of our total revenue, respectively. Sogou, for which we have been an authorized agency since 2016, had been our top customer during the fiscal years 2021, 2020 and 2019, accounting for 41.8%, 68.9% and 45.6% of our revenue, respectively. Our top five customers during the fiscal years 2021, 2020 and 2019 include search engine operators, short-video platform operators, and advertising agencies who place ads for their advertiser clients through us. The identities of our customers vary depending on the type of revenue and the nature of the business transaction, comprising both advertisers and media (or their authorized agencies). See “Item 4. Information on the Company — 4.B. Business Overview — Customers.”

We typically enter into agency agreements (in case of media for which we are authorized agency) and framework agreements with these top customers with a term of one year or shorter, which are subject to renewal after expiry. Our top publisher, Sogou, has been acquired by Tencent and its business is currently under restructuring. We have been trying to secure the authorized agency status of Sogou for the year ending December 31, 2022. However, there is uncertainty as to whether and when we can successfully secure an authorized agency status with Sogou. Any failure to renew these agreements or any termination of such agreements may have a material adverse impact on our results of operations.

There are a number of factors, including our performance, which could cause the loss of, or decrease in the volume of business from, a customer. Even though we have a strong record of performance, we cannot assure you that we will continue to maintain the business cooperation with these customers at the same level, or at all. The loss of business from one or more of these significant customers, or any downward adjustment of the rates of rebates and incentives paid by media (or their authorized agencies), could materially and adversely affect our revenue and profit. Furthermore, if any significant advertiser or media terminates its relationship with us, we cannot assure you that we will be able to secure an alternative arrangement with comparable advertiser or media in a timely manner, or at all.

***We are in the highly competitive online advertising service industry and we may not be able to compete successfully against existing or new competitors, which could reduce our market share and adversely affect our competitive position and financial performance.***

There are numerous companies that specialize in the provision of online advertising services in China. We compete primarily with our competitors and potential competitors for access to quality ad inventory, agency relationships with popular media, and advertiser base. The online advertising industry in China is rapidly evolving. Competition can be increasingly intensive and is expected to increase significantly in the future. Increased competition may result in price reductions for advertising services, decrease in the rates of rebates and incentives offered by media to their authorized agencies, reduced margins and loss of our market share. We compete with other competitors in China primarily on the following bases:

- brand recognition;
- quality of services;
- effectiveness of sales and marketing efforts;
- creativity in design and contents of ads;
- optimization capability;
- pricing, rebate and discount policies;
- strategic relationships; and
- hiring and retention of talented staff.

Our existing competitors may in the future achieve greater market acceptance and recognition, secure authorized agency status with increasing number of popular media, and gain a greater market share. It is also possible that potential competitors may emerge and acquire a significant market share. If existing or potential competitors develop or offer services that provide significant performance, price, creative, optimization or other advantages over those offered by us, our business, results of operations and financial condition would be negatively affected.

Our existing and potential competitors may enjoy competitive advantages over us, such as longer operating history, greater brand recognition, larger advertiser base, greater access to ad inventory, and significantly greater financial, technical and marketing resources.

We also compete with traditional forms of media, such as newspapers, magazines, radio and television broadcast, for advertisers and advertising revenues.

If we fail to compete successfully, we could lose out in procuring advertisers, securing agency relationships with media and acquiring access to ad inventory, which could result in adverse impact to our business, results of operations and prospects. We also cannot assure you that our strategies will remain competitive or that they will continue to be successful in the future. Increasing competition could result in pricing pressure and loss of our market share, either of which could have a material adverse effect on our financial condition and results of operations.

***If we fail to improve our services to keep up with the rapidly changing demands, preferences, advertising trends or technologies in the online advertising industry, our revenues and growth could be adversely affected.***

We consider the online advertising industry to be dynamic, as we face constant changes in audiences' interests, preferences and receptiveness over different ad formats, evolution of the needs of advertisers in response to shifts in their business needs and marketing strategies, as well as innovations in the means on online advertising. On the other hand, information technology and "big-data" are increasingly being utilized in online advertising, as evidenced by the emergence of "data-driven" and programmatic advertising services. Our success therefore depends not only on our ability to offer proper choices of media, deliver effective optimization services, providing creative advertising ideas, but also to adapt to rapidly changing online trends and technologies to enhance the quality of existing services and to develop and introduce new services to address advertisers' changing demands. We may experience difficulties that could delay or prevent the successful development, introduction or marketing of our new services. Any new service or enhancement will need to meet the requirements of our existing advertiser base and potential advertisers and may not achieve significant market acceptance. If we fail to keep pace with changing trends and technologies, continue to offer effective optimization services and creative advertising ideas to the satisfaction of our advertisers, or to introduce successful and well-accepted services for our existing advertiser base and potential advertisers, we could lose our advertisers and our revenue and growth could be adversely affected.

***Limitations on the availability of data and our ability to analyze such data could significantly restrict our optimization capability and cause us to lose advertisers, which may harm our business and results of operations.***

Our capability to plan and optimize advertising campaigns are partly dependent on the availability of data generated by the media concerned based on the ad interaction behavior between such media and their end users. Our access to such data from media is limited by the relevant media's data policies. Typically we can only access data that are made available by the media to us or their authorized agencies on their back-end platforms. In addition, there is no assurance that the government will not adopt legislation that prohibits or limits collection of data on the Internet and the use of such data, or that third parties will not bring lawsuits against the media or us relating to internet privacy and data collection. As of the date of this annual report, our business operations are in material compliance with the relevant laws and regulations on data protection and privacy, including the Cyber Security Law of the People's Republic of China, which was enacted by the Standing Committee of the National People's Congress on November 7, 2016 and became effective on June 1, 2017. Due to the recent development of laws and regulations on data protection and privacy and evolving interpretation of competent authorities, media and online advertising service providers will be subject to more stringent requirements on data sharing with third-parties, which may limit our ability to obtain data from them. Therefore, we cannot assure you that we will be in full compliance with all applicable laws and regulations on data protection and privacy in the future. See "Item 4. Information on the Company—4.B. Business Overview—Regulation—Regulations relating to Information Security and Privacy Protection."

If any of the above happens, we may be unable to provide effective services and may lose our advertisers, and our business, financial condition and results of operations would be adversely affected. Lawsuits or administrative inquiries relating to internet privacy and data collection could also be costly and divert management resources, and the outcome of such lawsuits or inquiries may be uncertain and may harm our business.

***The regulatory environment of the online advertising industry is rapidly evolving. If we fail to obtain and maintain the requisite licenses and approvals as applicable to our businesses in China from time to time, our business, financial condition and results of operations may be materially and adversely affected.***

As confirmed by our PRC counsel, Beijing Dacheng Law Offices, LLP ("Beijing Dacheng"), we have obtained all material licenses, permits or approvals from the regulatory authorities in China that are required for our business undertakings. However, the licensing requirements within the online advertising industry, particularly in China, are constantly evolving and subject to the interpretation of the competent authorities, and we may be subject to more stringent regulatory requirements due to changes in the political or economic policies in the relevant jurisdictions or the changes in the interpretation of the scope of internet culture business. We cannot assure you that we will be able to satisfy such regulatory requirements and we may be unable to retain, obtain or renew relevant licenses, permits or approvals in the future, and as a result, our business operations may be materially and adversely affected.

***If our advertisers delay in settlement of our accounts receivable or if we are unable to issue invoices to our advertisers on a timely basis, our business, financial condition and results of operations may be materially and adversely affected.***

As of December 31, 2021, 2020 and 2019, our gross accounts receivable amounted to \$62.8 million, \$69.9 million and \$57.1 million, respectively. Our gross accounts receivable turnover days were 442 days, 167 days and 105 days in the fiscal years 2021, 2020 and 2019, respectively.

Our business operations and cash flow are subject to the risk of delay in payment from our advertisers. Our advertisers' settlement day will generally be affected by their internal policies. Our efforts in strengthening our accounts receivable collection and management may be in vain, and we cannot assure you that we will be able to fully recover the outstanding amounts due from our advertisers, if at all, or that our advertisers will settle the amounts in a timely manner. As a result, our business, financial condition and results of operations may be materially and adversely affected.

***Non-compliance with laws and regulations on the part of any third parties with which we conduct business could expose us to legal expenses, compensations to third parties, penalties and disruption of our business, which may adversely affect our results of operations and financial performance.***

Third parties with which we conduct business with may be subject to regulatory penalties or punishments because of their regulatory compliance failures or may be infringing upon other parties' legal rights, which may, directly or indirectly, disrupt our business. We cannot be certain whether such third party has violated any regulatory requirements or infringed or will infringe any other parties' legal rights, which could expose us to legal expenses, compensation to third parties, or compensation.

We, therefore, cannot rule out the possibility of incurring liabilities or suffering losses due to any non-compliance by third parties. There is no assurance that we will be able to identify irregularities or non-compliance in the business practices of third parties we conduct business with, or that such irregularities or non-compliance will be corrected in a prompt and proper manner. Any legal liabilities and regulatory actions affecting third parties involved in our business may affect our business activities and reputations, and may in turn affect our business, results of operations and financial performance.

Moreover, regulatory penalties or punishments against our business stakeholders (i.e., advertisers and media), even without resulting in any legal or regulatory implications upon us, may nonetheless cause business interruptions or even suspension of these business stakeholders of ours, and may result in abrupt changes in their business emphasis, such as changes in advertising and/or ad inventory offering strategies, any of which could disrupt our usual course of business with them and result in material negative impact on our business operations, results of operation and financial condition.

***We are subject to, and may expend significant resources in defending against, government actions and civil claims in connection with false, fraudulent, misleading or otherwise illegal marketing content for which we provide agency services.***

Under the Advertising Law of the PRC (《中华人民共和国广告法》) (the "Advertising Law"), where an advertising operator provides advertising design, production or agency services with respect to an advertisement when it knows or should have known that the advertisement is false, fraudulent, misleading or otherwise illegal, the competent PRC authority may confiscate the advertising operator's advertising revenue from such services, impose penalties, order it to cease dissemination of such false, fraudulent, misleading or otherwise illegal advertisement or correct such advertisement, or suspend or revoke its business licenses under certain serious circumstances.

Under the Advertising Law, "advertising operators" include any natural person, legal person or other organization that provides advertising design, production or agency services to advertisers for their advertising activities. Since our service involve provision of agency services to advertisers, including helping them identify, engage and convert audiences, and create content catering to their potential audience across different media, we are deemed as an "advertising operator" under the PRC Advertising Law. Therefore, we are required to examine advertising content for which we provide advertising services for compliance with applicable laws, notwithstanding the fact that the advertising content may have been previously published, and that the advertisers also bear liabilities for the content in their advertisements.

In addition, for advertising content relating to certain types of products and services, such as pharmaceuticals and medical procedures, we are expected to confirm that the advertisers have obtained requisite government approvals, including operating qualifications, proof of quality inspection for the advertised products, government pre-approval of the content of the advertisements and filings with the local authorities.

Although we have established internal policies to review the advertising contents before they are distributed to ensure compliance with applicable laws, we cannot ensure that each advertisement for which we provide advertising services complies with all PRC laws and regulations relevant to advertising activities, that supporting documentation provided by our advertisers is authentic or complete, or that we are able to identify and rectify all non-compliances in a timely manner.

Moreover, civil claims may be filed against us for fraud, defamation, subversion, negligence, copyright or trademark infringement or other violations due to the nature and content of the information for which we provide agency services. For example, we generally represent and warrant in our contracts with media as to the truthfulness of the advertising content that we place on these media, and agree to indemnify the media for any losses resulting from false, fraudulent, misleading or otherwise illegal advertising content that we place on these media. In the event we are subject to government actions or civil claims in connection with false, fraudulent, misleading or otherwise illegal marketing content for which we provide agency services, our reputation, business and results of operations may be materially and adversely affected.

***If we or our media clients sustain cyber-attacks or other privacy or data security incidents that result in security breaches, we could be subject to increased costs, liabilities, reputational harm or other negative consequences.***

Our information technology may be subject to cyber-attacks, viruses, malicious software, break-ins, theft, computer hacking, phishing, employee error or malfeasance or other security breaches. Hackers and data thieves are increasingly sophisticated and operate large-scale and complex automatic hacks. Experienced computer programmer and hackers may be able to penetrate our security controls and misappropriate or compromise sensitive proprietary or confidential information, create system disruptions or cause shutdowns. They also may be able to develop and deploy malicious software programs that attack our systems or otherwise exploit any security vulnerabilities. Our systems and the data stored on those systems also may be vulnerable to security incidents or security attacks, acts of vandalism or theft, coordinated attacks by activist entities, misplaced or lost data, human errors, or other similar events that could negatively affect our systems and the data stored on or transmitted by those systems, including the data of our advertisers or our media clients. Further, third parties such as our media, could also be subject to similar risks of security breaches, which are out of our control. If any of our media experiences cyber-attacks and fail to publish advertisements as a result, we may be liable to our advertisers.

Although we take measures to protect sensitive data from unauthorized access, use or disclosure, our protective measures may not be effective and our information technology may still be vulnerable to attacks. In the event of such attacks, the costs to eliminate or address the foregoing security threats and vulnerability before or after a cyber-incident could potentially be significant. Our remediation efforts may not be successful and could result in interruptions or delays of services. As threats related to cyber-attacks develop and grow, we may also find it necessary to take further steps to protect our data and infrastructure, which could be costly and therefore impact our results of operations. In the event that we are unable to prevent, detect, and remediate the foregoing security threats and vulnerabilities in a timely manner, our operations could be interrupted or we could incur financial, legal or reputational losses arising from misappropriation, misuse, leakage, falsification or intentional or accidental release or loss of information maintained in our systems. The number and complexity of these threats continue to increase over time. Although we inspect our systems on a regular basis to prevent these events from occurring, the possibility of these events occurring cannot be eliminated entirely.

***Any negative publicity about us, our services and our management may materially and adversely affect our reputation and business.***

We may from time to time receive negative publicity about us, our management or our business. Certain of such negative publicity may be the result of malicious harassment or unfair competition acts by third parties. We may even be subject to government or regulatory investigation (including but not limited to those relating to advertising materials which are alleged to be illegal) as a result of such third-party conduct and may be required to spend significant time and incur substantial costs to defend ourselves against such third-party conduct, and we may not be able to conclusively refute each of the allegations within a reasonable period of time, or at all. Harm to our reputation and confidence of advertisers and media can also arise for other reasons, including misconduct of our employees or any third-party business partners whom we conduct business with. Our reputation may be materially and adversely affected as a result of any negative publicity, which in turn may cause us to lose market share, advertising customers, industry partners, and other business partnerships.

***If we fail to manage our growth or execute our strategies and future plans effectively, we may not be able to take advantage of market opportunities or meet the demands of our advertisers.***

Our business has grown substantially since our inception, and we expect it to continue to grow in terms of the scale and diversity of operations. We have significantly expanded our headcount and office facilities, and we anticipate that further expansion in terms of advertiser base and media relationships. This expansion increases the complexity of our operations and may cause strain on our managerial, operational and financial resources. We must continue to hire, train and effectively manage new employees. If our new hires perform poorly or if we are unsuccessful in hiring, training, managing and integrating new employees, our business, financial condition and results of operations may be materially harmed. Our expansion will also require us to maintain the consistency of our service offerings to ensure that our market reputation does not suffer as a result of any deviations, whether actual or perceived, in the quality of our services.

Our future results of operations also depend largely on our ability to execute our future plans successfully. In particular, our continued growth may subject us to the following additional challenges and constraints:

- we face challenges in ensuring the productivity of a large employee base and recruiting, training and retaining highly skilled personnel, including areas of sales and marketing, advertising concepts, optimization skills, media management and information technology for our growing operations;
- we face challenges in responding to evolving industry standards and government regulation that impact our business and the online advertising industry in general, particularly in the areas of content dissemination;
- we may have limited experience for certain new service offerings, and our expansion into these new service offerings may not achieve broad acceptance among advertisers;
- the technological or operational challenges may arise from the new services;
- the execution of the future plan will be subject to the availability of funds to support the relevant capital investment and expenditures; and
- the successful execution of our strategies may depend upon factors beyond our control, such as general market conditions, economic and political development in China and globally.

All of these endeavors involve risks and will require significant management, financial and human resources. We cannot assure you that we will be able to effectively manage our growth or to implement our strategies successfully. Besides, there is no assurance that the investment to be made by us as contemplated under our future plans will be successful and generate the expected return. If we are not able to manage our growth or execute our strategies effectively, or at all, our business, results of operations and prospects may be materially and adversely affected.

***We may not be able to obtain the additional capital we need in a timely manner or on acceptable terms, or at all.***

Although we believe that our anticipated cash flows from operating activities, together with cash on hand and short-term or long-term borrowings, will be sufficient to meet our anticipated working capital requirements and capital expenditures in the ordinary course of business for the next twelve months, there is no assurance that further on we would not have needs for additional capital and cash resources for our growth and expansion plan. We may also need additional cash resources in the future if we find and wish to pursue opportunities for investment, acquisition, capital expenditure or similar actions. If we determine that our cash requirements exceed the amount of cash and cash equivalents we have on hand at the time, we may seek to issue equity or debt securities or obtain credit facilities. The issuance and sale of additional equity would result in further dilution to our shareholders. The incurrence of indebtedness would result in increased fixed obligations and could result in the required compliance with operating covenants that could restrict our operations. We cannot assure you that additional financing will be available in amounts or on terms acceptable to us, if at all.

***Seasonal fluctuations in advertising activities could have a material impact on our revenues, cash flow and operating results.***

Our revenues, cash flow, operating results and other key operating and performance metrics may vary from quarter to quarter due to the seasonal nature of our advertisers' budgets and spending on advertising campaigns. For example, advertising spend tends to rise in holiday seasons with consumer holiday spending, or closer to end-of-year in fulfillment of their annual advertising budgets, which may lead to the increase in our revenues and cash flow. Moreover, advertising inventory in holiday seasons may be more expensive due to increased demand for advertising inventory. While our historical revenues growth may have, to some extent, masked the impact of seasonality, but if our growth rate declines or seasonal spending becomes more pronounced, seasonality could have a material impact on our revenues, cash flow and operating results from period to period.

***If we fail to attract, recruit or retain our key personnel including our executive officers, senior management and key employees, our ongoing operations and growth could be affected.***

Our success depends to a large extent on the efforts of our key personnel including our executive officers, senior management and other key employees who have valuable experience, knowledge and connection in the online advertising industry. There is no assurance that these key personnel will not voluntarily terminate their employment with us. The loss of any of our key personnel could be detrimental to our ongoing operations. Our success will also depend on our ability to attract and retain qualified personnel in order to manage our existing operations as well as our future growth. We may not be able to successfully attract, recruit or retain key personnel and this could adversely impact our growth. Moreover, we rely on our sales and marketing team to source new advertisers for our business growth. We had 12 sales and marketing personnel in total as of the date of this annual report, who are responsible for pitching and soliciting advertisers to place ads with our media. If we are unable to attract, retain and motivate our sales and marketing personnel, our business may be adversely affected.

***Unauthorized use of our intellectual property by third parties and expenses incurred in protecting our intellectual property rights may adversely affect our business, reputation and competitive edge.***

We regard our software copyrights, trademarks, domain names and similar intellectual property as important to our success, and we rely on a combination of intellectual property laws and contractual arrangements, including confidentiality and non-compete agreements with our employees and others to protect our proprietary rights. For details, please refer to "Item 4. Information on the Company — 4.B. Business Overview — Intellectual property."

Despite these measures, any of our intellectual property rights could be challenged, invalidated, circumvented or misappropriated, or such intellectual property may not be sufficient to provide us with competitive advantages. It may be difficult to maintain and enforce intellectual property rights in China. Statutory laws and regulations are subject to judicial interpretation and enforcement and may not be applied consistently. Confidentiality, invention assignment and non-compete agreements may be breached by counterparties, and there may not be adequate remedies available to us for any such breach. Accordingly, we may not be able to effectively protect our intellectual property rights or to enforce our contractual rights in all jurisdictions.

Preventing any unauthorized use of our intellectual property is difficult and costly and the steps we take may be inadequate to prevent the misappropriation of our intellectual property. In the event that we resort to litigation to enforce our intellectual property rights, such litigation could result in substantial costs and a diversion of our managerial and financial resources. We can provide no assurance that we will prevail in such litigation.

In addition, our trade secrets may be leaked or otherwise become available to, or be independently discovered by, our competitors. To the extent that our employees use intellectual property owned by others in their work for us, disputes may arise as to the rights in related know-how and inventions. Any failure in protecting or enforcing our intellectual property rights could have a material adverse effect on our business, reputation and competitive edge.

***Third parties may claim that we infringe their proprietary intellectual property rights, which could cause us to incur significant legal expenses and prevent us from promoting our services.***

We cannot be certain that our operations or any aspects of our business do not or will not infringe upon or otherwise violate trademarks, patents, copyrights, know-how or other intellectual property rights held by third parties. We may be from time to time in the future subject to legal proceedings and claims relating to the intellectual property rights of others. In addition, there may be third-party trademarks, patents, copyrights, know-how or other intellectual property rights that are infringed by our products, services or other aspects of our business without our awareness. Holders of such intellectual property rights may seek to enforce such intellectual property rights against us in various jurisdictions.

If any third-party infringement claims are brought against us, we may be forced to divert management's time and other resources from our business and operations to defend against these claims, regardless of their merits. Additionally, the application and interpretation of intellectual property right laws and the procedures and standards for granting trademarks, patents, copyrights, know-how or other intellectual property rights are evolving and may be uncertain, and we cannot assure you that courts or regulatory authorities would agree with our analysis.

If we were found to have violated the intellectual property rights of others, we may be subject to liability for our infringement activities or may be prohibited from using such intellectual property, and we may incur licensing fees or be forced to develop alternatives of our own. As a result, our business and financial performance may be materially and adversely affected.

***Our financial condition and liquidity position may be subject to the credit risks of Ms. Wenxiu Zhong, our chairperson of the board and chief executive officer.***

We were a party to a material legal proceedings, for details, see "Business — Legal Proceedings." On January 12, 2022, Beijing Baosheng received a final judgment from the intermediate court, upholding the original judgment issued on July 30, 2021. According to the original judgment, Beijing Baosheng is required to pay the plaintiff RMB10,739,877 (approximately \$1,685,321) and court expenses of RMB71,421 (approximately \$11,207). In addition, Beijing Baosheng is required to pay RMB28,192 (approximately \$4,424) of interest to the plaintiff and the court enforcement fee of RMB78,211 (approximately US\$12,273).

Through a guarantee letter dated April 2, 2020 (the "Guarantee Letter"), Ms. Wenxiu Zhong promised to unconditionally, irrevocably and personally bear any and all the economic losses and expenses actually incurred by Beijing Baosheng, Baosheng Hong Kong, and the Company in connection with the Equity Ownership Dispute (as defined on page 66) and the Contractual Dispute (as defined on page 66), including, but not limited to, the amount of damages imposed by the courts, court expenses, attorney fees, and other reasonably related expenses.

On February 8, 2022, the final judgment was enforced by the court with a total of RMB10,917,701 (approximately \$1,713,225) being withdrawn from one of the frozen bank accounts of Beijing Baosheng, the bank account at Bank of Hangzhou, which bank account was unfrozen afterwards, and which amount was applied to the satisfaction of such judgment and the payment in full of the related fees and expenses. Accordingly, Beijing Baosheng requested Ms. Wenxiu Zhong to perform her obligations under the Guarantee Letter by reimbursing Beijing Baosheng's litigation costs, including, but not limited to, the amount of damages imposed by the courts, court expenses, and attorney fees.

As of March 10, 2022, as promised by the Guarantee Letter, Ms. Zhong has made the payment in cash of RMB11,053,940 (approximately \$1,734,604) to Beijing Baosheng. Such payment made by Ms. Zhong includes the amount paid to Ms. Chen Chen as ordered by the courts plus interest as well as the court expense, attorney fee, and court enforcement fee.

***We may not have sufficient insurance coverage to cover our potential liability or losses and as a result, our business, financial condition, results of operations and prospects may be materially and adversely affected should any such liability or losses arise.***

We face various risks in connection with our business and may lack adequate insurance coverage or have no relevant insurance coverage. Further, insurance companies in China offer limited business insurance products to online advertising service providers and do not currently offer as extensive an array of insurance products as insurance companies in other more developed economies. We currently do not have any business liability or disruption insurance to cover our operations. We have determined that the costs of insuring against these risks and the difficulties associated with acquiring such insurances on commercially reasonable terms render these coverage categories of insurance impractical for our business and purposes. Any uninsured business disruptions may result in our incurring substantial costs and the diversion of resources, which could have an adverse effect on our business and results of operations.

***Legal claims, government investigations or other regulatory enforcement actions could subject us to civil and criminal penalties.***

We operate in the online advertising industry in China with constantly evolving legal and regulatory frameworks. Our operations are subject to various laws and regulations, including but not limited to those related to advertising, employee benefits (such as social insurance and housing funds), taxation, and the use of properties. Consequently, we are subject to risks of legal claims, government investigations or other regulatory enforcement actions. Although we have implemented policies and procedures designed to ensure compliance with existing laws and regulations, there can be no assurance that our employees or agents will not violate our policies and procedures. Moreover, a failure to maintain effective control processes could lead to violations, unintentional or otherwise, of laws and regulations. Legal claims, government investigations or regulatory enforcement actions arising out of our failure or alleged failure to comply with applicable laws and regulations could subject us to civil and criminal penalties that could materially and adversely affect our product sales, reputation, financial condition and operating results. In addition, the costs and other effects of defending potential and pending litigation and administrative actions against us may be difficult to determine and could adversely affect our financial condition and operating results.

***We have identified material weaknesses in our internal control over financial reporting. If we fail to develop and maintain an effective system of internal control over financial reporting, we may be unable to accurately report our financial results or prevent fraud.***

We have identified “material weaknesses” and other control deficiencies including significant deficiencies in our internal control over financial reporting. As defined in the standards established by the Public Company Accounting Oversight Board of the United States, or PCAOB, a “material weakness” is a deficiency, or combination of deficiencies, in internal control over financial reporting, such that there is a reasonable possibility that a material misstatement of the annual or interim financial statements will not be prevented or detected on a timely basis.

One material weakness that has been identified related to our lack of sufficient financial reporting and accounting personnel with appropriate knowledge of the generally accepted accounting principles in the United States (“U.S. GAAP”) and SEC reporting requirements to properly address complex U.S. GAAP accounting issues and to prepare and review our consolidated financial statements and related disclosures to fulfill U.S. GAAP and SEC financial reporting requirements. The other material weakness that has been identified related to our lack of comprehensive accounting policies and procedures manual in accordance with U.S. GAAP. We plan to implement a number of measures to address the material weaknesses, including but not limited to, engaging experienced accounting staff to assist us in establishing appropriate policies and procedures in accordance with U.S. GAAP.

Neither we nor our independent registered public accounting firm undertook a comprehensive assessment of our internal control for purposes of identifying and reporting material weaknesses and other control deficiencies in our internal control over financial reporting. Had we performed a formal assessment of our internal control over financial reporting or had our independent registered public accounting firm performed an audit of our internal control over financial reporting, additional deficiencies may have been identified.

We have become a public company in the United States subject to the Sarbanes-Oxley Act of 2002. Section 404 of the Sarbanes-Oxley Act, or Section 404, requires that we include a report from management on the effectiveness of our internal control over financial reporting in our annual report on Form 20-F beginning with our annual report for the fiscal year ended December 31, 2021.

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

***We face risks related to natural disasters and health epidemics.***

Our business could be materially and adversely affected by natural disasters, health epidemics or other public safety concerns. Natural disasters may give rise to server interruptions, breakdowns, system failures, technology platform failures or internet failures, which could cause the loss or corruption of data or malfunctions of software or hardware as well as adversely affect our ability to operate our platform and provide services. In recent years, there have been outbreaks in China and globally, such as the COVID-19, H1N1 flu, avian flu and other epidemics. Our business could also be adversely affected if our employees are affected by health epidemics. In addition, our results of operations could be adversely affected to the extent that any health epidemic harms the national economy in general. Our headquarters is located in Beijing, where most of our management and employees currently reside. Consequently, if any natural disasters, health epidemics or other public safety concerns were to affect Beijing or other cities in our other offices are located, our operation may experience material disruptions, which may materially and adversely affect our business, financial condition and results of operations.

***The ongoing effects of COVID-19 in China may have a material adverse effect on our business.***

Our business has been materially and adversely affected by health epidemics such as the COVID-19 pandemic in China. The ongoing development of the COVID-19 outbreak could materially disrupt our business and operations, slow down the overall economy, curtail consumer spending, interrupt our sources of supply, and make it difficult to adequately staff our operations.

As a result of the COVID-19 pandemic, we and some of our business partners implemented temporary measures and adjustments of work schemes to allow employees to work from home and collaborate remotely. We have taken measures to reduce the impact of the COVID-19 pandemic, including, but not limited to, upgrading our telecommuting system, monitoring employees' health on a daily basis and optimizing technology system to support potential growth in user traffic. Gross billing for the fiscal year ended December 31, 2021 amounted to \$54.7 million, representing a decrease of \$80.2 million, or 59.4%, from \$134.9 million for the fiscal year ended December 31, 2020. Our revenues on a net basis for the fiscal year ended December 31, 2021 decreased by approximately \$8.0 million, or 67.2%, as compared with the fiscal year ended December 31, 2020. Although, based on the current situation, we do not expect a significant impact on our operations and financial results in the long run. However, due to the recent outbreak of the Delta and Omicron variants of COVID-19 in several provinces in China and the whole world, the extent to which the COVID-19 pandemic may continue to impact our results of operations will depend on future development of the pandemic, which remains highly uncertain and cannot be predicted with confidence at this time.

## **Risks Related to Doing Business in China**

***Adverse changes in political and economic policies of the PRC government could have a material adverse effect on the overall economic growth of the PRC, which could reduce the demand for our products and materially and adversely affect our competitive position.***

Substantially all of our business operations are conducted in China. Accordingly, our business, results of operations, financial condition and prospects are subject to economic, political and legal developments in China. Although the Chinese economy is no longer a planned economy, the PRC government continues to exercise significant control over China's economic growth through direct allocation of resources, monetary and tax policies, and a host of other government policies such as those that encourage or restrict investment in certain industries by foreign investors, control the exchange between RMB and foreign currencies, and regulate the growth of the general or specific market. These government involvements have been instrumental in China's significant growth in the past 30 years. If the PRC government's current or future policies fail to help the Chinese economy achieve further growth or if any aspect of the PRC government's policies limits the growth of our industry or otherwise negatively affects our business, our growth rate or strategy, our results of operations could be adversely affected as a result.

***Uncertainties regarding interpretation and enforcement of the laws, rules and regulations in China may impose adverse impact on our business, operations and profitability.***

We conduct all of our business through our subsidiaries in China. Our operations in China are governed by PRC laws and regulations. Our PRC subsidiaries are generally subject to laws and regulations applicable to foreign investments in China and, in particular, laws and regulations applicable to wholly foreign-owned enterprises. The PRC legal system is based on statutes. Prior court decisions may be cited for reference but have limited precedential value.

Since 1979, PRC legislation and regulations have significantly enhanced the protections afforded to various forms of foreign investments in China. However, China has not developed a fully integrated legal system and recently enacted laws and regulations may not sufficiently cover all aspects of economic activities in China. In particular, because these laws and regulations are relatively new, and because of the limited volume of published decisions and their nonbinding nature, the interpretation and enforcement of these laws and regulations involve uncertainties. In addition, the PRC legal system is based in part on government policies and internal rules (some of which are not published on a timely basis or at all) that may have a retroactive effect. As a result, we may not be aware of our violation of these policies and rules until sometime after the violation. In addition, any litigation in China may be protracted and result in substantial costs and diversion of resources and management attention.

PRC regulation of loans and direct investment by offshore holding companies to PRC entities may delay or prevent us from using the proceeds of our future offerings to make loans or additional capital contributions to our PRC subsidiaries, which could materially and adversely affect our liquidity and our ability to fund and expand our business.

***We may be adversely affected by the complexity, uncertainties and changes in the regulation of internet-related businesses and companies in China.***

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

- There are uncertainties relating to the regulation of the internet-related business in China, including evolving licensing practices. This means that some of our permits, licenses or operations in China may be subject to challenge, or we may fail to obtain permits or licenses that may be deemed necessary for our operations or we may not be able to obtain or renew certain permits or licenses. If we fail to maintain any of these required licenses or permits, we may be subject to various penalties, including fines and discontinuation of or restriction on our operations in China. Any such disruption in our business operations in China may have a material and adverse effect on our results of operations in China.

- New laws and regulations may be promulgated in China to regulate internet activities, including digital marketing. If these new laws and regulations are promulgated, additional licenses and/or cost of compliance may be required for our operations. If our operations are not in compliance with these new laws and regulations after they become effective, or if we fail to obtain any licenses required under these new laws and regulations, we could be subject to penalties or restriction on our operations in China.

According to our PRC Counsel, Beijing Dacheng, our PRC subsidiaries are not required to obtain any other industry-specific qualification, license or permit, including an Internet Content Provider license, or ICP license, for carrying out our online advertising service business in China. Given that the interpretation and application of existing PRC laws, regulations and policies and possible new laws, regulations or policies relating to the internet industry have created substantial uncertainties regarding the legality of existing and future foreign investments in, and the businesses and activities of, internet-related businesses in China, including our business in China, there is no assurance that we have obtained all the permits or licenses required for conducting our business in China or will be able to maintain our existing licenses or obtain any new licenses required under any new laws or regulations. There is also no assurance that the PRC government will not classify our business as one requiring an ICP license or other licenses in the future. If new regulations in China classify our business as one requiring an ICP license or other licenses, we may be prevented from operating in China if we are unable to obtain the required licenses. If the change in classification of our business were to be retroactively applied, we might be subject to sanctions, including payment of taxes and fines. Any change in the PRC laws and regulations may therefore significantly disrupt our operations in China and materially and adversely affect our business, results of operations and financial conditions in China.

***Since Beijing Baosheng's equity interests in Horgos Baosheng and Kashi Baosheng are frozen by court order, we may experience restrictions in exercising our rights as the shareholder of Horgos Baosheng and Kashi Baosheng.***

Our subsidiary, Beijing Baosheng, is a party to the Contractual Dispute (as defined on page 66) in Beijing Haidian District People's Court. See "Item 4. Information on the Company—4.B. Business Overview—Legal Proceedings." At the request of the plaintiff, the court issued a freezing order, pursuant to which Beijing Baosheng's 100% equity interest in Horgos Baosheng and 100% equity interest in Kashi Baosheng were frozen.

Pursuant to applicable PRC laws and regulations, if a company's equity interest is frozen by a court order, the company's shareholders may be restricted in: (a) transferring or pledging the equity interest, (b) receiving dividends from the company, and (c) voting for the dissolution and winding up of the company, the forgiving of matured loans, or other decisions that may impact the value of the equity interest of the company. Therefore, Beijing Baosheng's rights as a shareholder of Horgos Baosheng and Kashi Baosheng may be restricted until the court lifts its order. To mitigate the restrictions, we established Baosheng Technology (Horgos) Co., Ltd., a wholly owned subsidiary of Beijing Baosheng, in January 2020, through which subsidiary we have since conducted, and plan to continue to conduct, a majority of our business operations.

On January 12, 2022, Beijing Baosheng received a final judgment from the intermediate court, upholding the original judgment issued on July 30, 2021. According to the original judgment, Beijing Baosheng is required to pay the plaintiff RMB10,739,877 (approximately \$1,685,321) and court expenses of RMB71,421 (approximately \$11,207). In addition, Beijing Baosheng is required to pay RMB28,192 (approximately \$4,424) of interest to the plaintiff and the court enforcement fee of RMB78,211 (approximately \$12,273). On February 8, 2022, the final judgment was enforced by the court with a total of RMB10,917,701 (approximately \$1,713,225) being withdrawn from one of the frozen bank accounts of Beijing Baosheng, the bank account at Bank of Hangzhou, which bank account was unfrozen afterwards, and which amount was applied to the satisfaction of such judgment and the payment in full of the related fees and expenses. As confirmed by Beijing Baosheng's PRC counsel, Beijing Dacheng, the Freezing Order (including the freezing of Beijing Baosheng's equity interests in Horgos Baosheng and Kashi Baosheng) will be reversed and all of the impacted assets will be unfrozen, accordingly. As of the date of this annual report, three out of the four frozen accounts have been unfrozen and the unfreezing procedure for the remaining one account is still in progress, which is expected to be completed by the end of July 2022. Additionally, the unfreezing procedure related to Beijing Baosheng's equity interests in Horgos Baosheng and Kashi Baosheng is still in progress. We expect that the impacted equity interests will be unfrozen in August 2022.

The chairperson of the board, and the chief executive officer of the Company, Ms. Wenxiu Zhong, executed the Guarantee Letter on April 2, 2020. Pursuant to the Guarantee Letter, Ms. Wenxiu Zhong promised to unconditionally, irrevocably and personally bear any and all the economic expenses and losses actually incurred by Beijing Baosheng, Baosheng Hong Kong, and the Company in connection with the Equity Ownership Dispute and the Contractual Dispute, including, but not limited to, the amount of damages imposed by the courts, court expenses and attorney fees.

Accordingly, Beijing Baosheng requested Ms. Wenxiu Zhong to perform her obligations under the Guarantee Letter by reimbursing Beijing Baosheng's litigation costs, including, but not limited to, the amount of damages imposed by the courts, court expenses, and attorney fees. As of March 10, 2022, as promised by the Guarantee Letter, Ms. Zhong has made the payment in cash of RMB11,053,940 (approximately \$1,734,604) to Beijing Baosheng. Such payment made by Ms. Zhong includes the amount paid to Ms. Chen Chen as ordered by the courts plus interest as well as the court expense, attorney fee, and court enforcement fee.

***As a result of the court order, Beijing Baosheng has experienced restrictions in its industrial and commercial registration.***

The industrial and commercial registration of Beijing Baosheng has been restricted as a result of the freezing order referenced above. During the restriction period, Beijing Baosheng is not allowed to register with competent authority to execute any change in its equity interests, registered capital, business scope, or legal representative. Therefore, if Beijing Baosheng were to attempt to execute any of the aforementioned changes during the restriction period, such attempts will not be successful, which could adversely affect our business, financial conditions and results of operations.

On January 12, 2022, Beijing Baosheng received a final judgment from the intermediate court, upholding the original judgment issued on July 30, 2021. According to the original judgment, Beijing Baosheng is required to pay the plaintiff RMB10,739,877 (approximately \$1,685,321) and court expenses of RMB71,421 (approximately \$11,207). In addition, Beijing Baosheng is required to pay RMB28,192 (approximately \$4,424) of interest to the plaintiff and the court enforcement fee of RMB78,211 (approximately \$12,273). On February 8, 2022, the final judgment was enforced by the court with a total of RMB10,917,701 (approximately \$1,713,225) being withdrawn from one of the frozen bank accounts of Beijing Baosheng, the bank account at Bank of Hangzhou, which bank account was unfrozen afterwards, and which amount was applied to the satisfaction of such judgment and the payment in full of the related fees and expenses. As confirmed by Beijing Baosheng's PRC counsel, Beijing Dacheng, the Freezing Order (including the freezing of Beijing Baosheng's equity interests in Horgos Baosheng and Kashi Baosheng) will be reversed and all of the impacted assets will be unfrozen, accordingly. As of the date of this annual report, three out of the four frozen accounts have been unfrozen and the unfreezing procedure for the remaining one account is still in progress, which is expected to be completed by the end of July 2022. Additionally, the unfreezing procedure related to Beijing Baosheng's equity interests in Horgos Baosheng and Kashi Baosheng is still in progress. We expect that the impacted equity interests will be unfrozen in August 2022.

***Regulation and censorship of information disseminated through the Internet in China may adversely affect our business in China, and we may be liable for content disseminated by us through the Internet.***

The PRC government has enacted laws and regulations governing internet access and the distribution of products, services, news, information, audio-video programs and other content through the Internet. The PRC government has prohibited the dissemination of information through the Internet that it deems to be in violation of PRC laws and regulations. If any internet content disseminated by us is deemed by the PRC government to violate any content restrictions, we would not be able to continue to disseminate such content and could become subject to penalties, including confiscation of income, fines, suspension of business and revocation of licenses, which could materially and adversely affect our business, financial conditions and results of operations in China. We may also be subject to potential liability for any unlawful actions of our clients or for content we disseminate that is regarded as inappropriate.

We have implemented measures to ensure that our ad content does not violate these laws and regulations. After we receive the ad content from our advertisers, it will be subject to a compliance review by our experienced employees. If we determine that the ad content does not violate any applicable laws and regulations, we will share such ad content with the relevant media for their internal review. If we determine that the ad content may be in violation of applicable laws or regulations, we will provide suggested edits to the ad content and send it back to the advertiser for revision. After both we and the media have determined that the ad content is in full compliance with applicable laws and regulations on information dissemination, we will confirm with the advertiser on its opinion with respect to the compliance prior to the deployment of the ad. Despite our efforts, we cannot assure you that we will be in full compliance with all applicable regulations on information dissemination. In addition, we have no control over and are not informed of the specific review standards applied by the advertisers or the media, and it may be difficult to determine the type of content that may result in liability to us. If we are found to be liable, we may be subject to penalties, fines, suspension of licenses, or revocation of licenses, which could materially and adversely affect our business, financial conditions and results of operations.

***Changes in the policies, regulations, rules, and the enforcement of laws of the PRC government may be quick with little advance notice and could have a significant impact upon our ability to operate profitably in the PRC.***

We currently conduct all of our operations and all of our revenue is generated in the PRC. Accordingly, economic, political, and legal developments in the PRC will significantly affect our business, financial condition, results of operations, and prospects. Policies, regulations, rules, and the enforcement of laws of the PRC government can have significant effects on economic conditions in the PRC and the ability of businesses to operate profitably. Our ability to operate profitably in the PRC may be adversely affected by changes in policies, regulations, rules, and the enforcement of laws by the PRC government, which changes may be quick with little advance notice.

***Any actions by the Chinese government, including any decision to intervene or influence our operations or to exert control over any offering of securities conducted overseas and/or foreign investment in China-based issuers, may cause us to make material changes to our operations, may limit or completely hinder our ability to offer or continue to offer securities to investors, and may cause the value of such securities to significantly decline or be worthless.***

The Chinese government has exercised and continues to exercise substantial control over virtually every sector of the Chinese economy through regulation and state ownership. Our ability to operate in China may be impaired by changes in its laws and regulations, including those relating to taxation, advertisements, environmental regulations, land use rights, foreign investment limitations, and other matters. The central or local governments of these jurisdictions may impose new, stricter regulations or interpretations of existing regulations that would require additional expenditures and efforts on our part to ensure our compliance with such regulations or interpretations. As such, our PRC subsidiaries may be subject to various government and regulatory interference in the provinces in which they operate. We could be subject to regulation by various political and regulatory entities, including various local and municipal agencies and government sub-divisions. We may incur increased costs necessary to comply with existing and newly adopted laws and regulations or penalties for any failure to comply.

Furthermore, it is uncertain when and whether we will be required to obtain permission from the PRC government to list on U.S. exchanges in the future, and even when such permission is obtained, whether it will be later denied or rescinded. Although we believe our Company and our PRC subsidiaries are currently not required to obtain permission from any Chinese authorities and neither we, nor any of our subsidiaries, has, as of the date of this annual report, received any notice of denial of permission to list on the U.S. exchanges, our operations could be adversely affected, directly or indirectly, by existing or future laws and regulations relating to our business or industry, particularly in the event permission to list on U.S. exchanges may be later required, or withheld or rescinded once given.

Accordingly, government actions in the future, including any decision to intervene or influence our operations at any time or to exert control over an offering of securities conducted overseas and/or foreign investment in China-based issuers, may cause us to make material changes to our operations, may limit or completely hinder our ability to offer or continue to offer securities to investors, and/or may cause the value of such securities to significantly decline or be worthless.

***Recent greater oversight by the CAC over data security, particularly for companies seeking to list on a foreign exchange, could adversely impact our business and our offering.***

On July 10, 2021, the CAC published the Circular on Seeking Comments on Cybersecurity Review Measures (Revised Draft for Comments) (the “Review Measures Draft”), which provides that, in addition to critical information infrastructure operators (“CIIOs”) that intend to purchase Internet products and services, data processing operators engaging in data processing activities that affect or may affect national security must be subject to cybersecurity review by the Cybersecurity Review Office of the PRC. According to the Review Measures Draft, a cybersecurity review assesses potential national security risks that may be brought about by any procurement, data processing, or overseas listing. The Review Measures Draft further requires that CIIOs and data processing operators that possess personal data of at least one million users must apply for a review by the Cybersecurity Review Office of the PRC before conducting listings in foreign countries. The deadline for public comments on the Review Measures Draft was July 25, 2021. As of the date of this annual report, we have not received any notice from any authorities identifying us as a CIIO or requiring us to go through cybersecurity review by the CAC. If the Review Measures Draft is enacted as proposed, we believe that our operations and listing will not be affected and that we will not be subject to cybersecurity review by the CAC for this offering. There remains uncertainty, however, as to how the Review Measures Draft will be interpreted or implemented and whether the PRC regulatory agencies, including the CAC, may adopt new laws, regulations, rules, or detailed implementation and interpretation related to the Review Measures Draft. If any such new laws, regulations, rules, or implementation and interpretation come into effect, we will take all reasonable measures and actions to comply and to minimize the adverse effect of such laws on us. We cannot guarantee, however, that we will not be subject to cybersecurity review in the future. During such review, we may be required to suspend our operations or experience other disruptions to our operations. Cybersecurity review could also result in negative publicity with respect to our Company and diversion of our managerial and financial resources, which could materially and adversely affect our business, financial conditions, and results of operations.

***The Opinions on Severely Cracking Down on Illegal Securities Activities According to Law recently issued by the General Office of the Central Committee of the Communist Party of China and the General Office of the State Council may subject us to additional compliance requirement in the future.***

Recently, the General Office of the Central Committee of the Communist Party of China and the General Office of the State Council jointly issued the Opinions on Severely Cracking Down on Illegal Securities Activities According to Law, or the Opinions, which were made available to the public on July 6, 2021. The Opinions emphasized the need to strengthen the administration over illegal securities activities and the supervision on overseas listings by China-based companies. These opinions proposed to take effective measures, such as promoting the construction of relevant regulatory systems, to deal with the risks and incidents facing China-based overseas-listed companies and the demand for cybersecurity and data privacy protection. The aforementioned policies and any related implementation rules to be enacted may subject us to additional compliance requirements in the future that may be onerous. As the Opinions were recently issued, official guidance and interpretation of the Opinions remain unclear in several respects at this time. Therefore, we cannot assure you that we will remain fully compliant with all new regulatory requirements of the Opinions or any future implementation rules on a timely basis, or at all.

***Labor Contract Law and other labor-related laws in the PRC may adversely affect our business and our results of operations.***

On December 28, 2008, the PRC government released the revision of the Labor Contract Law of the PRC (《中华人民共和国劳动合同法》), which became effective on July 1, 2008. Pursuant to the Labor Contract Law of the PRC, employers are subject to stricter requirements in terms of signing labor contracts, minimum wages, paying remuneration, determining the term of employees’ probation and unilaterally terminating labor contracts. In the event that we decide to terminate some of our employees or otherwise change our employment or labor practices, the Labor Contract Law of the PRC and its implementation rules may limit our ability to effect those changes in a desirable or cost-effective manner, which could adversely affect our business and results of operations. According to the PRC Social Insurance Law (《中华人民共和国社会保险法》), employees must participate in pension insurance, work-related injury insurance, medical insurance, unemployment insurance and maternity insurance and the employers must, together with their employees or separately, pay the social insurance premiums for such employees.

As of the date of this annual report, we are in compliance with labor-related laws and regulations in China in material aspects, including those relating to obligations to make social insurance payments and contribute to the housing provident fund. From July 2018 to March 2019, we had not made adequate contributions to social insurance and other employee benefits for our employees. We have recorded accruals for the estimated amount of underpayment in our financial statements. Pursuant to the PRC Social Insurance Law, if an employer fails to make full and timely contributions to social insurance, the relevant enforcement agency shall order the employer to make all outstanding contributions within five days of such order and impose penalties equal to 0.05% of the total outstanding amount for each additional day such contributions are overdue. If the employer fails to make all outstanding contributions within five days of such order, the relevant enforcement agency may impose penalties equal to one to three times the amount overdue. We estimate the amount of outstanding contributions from July 2018 to December 2018 to be approximately \$0.1 million, and the penalties in the same period to be approximately \$0.03 million. We estimate the amount of outstanding contributions from January 2019 to March 2019 to be approximately \$0.09 million, and the penalties in the same period to be approximately \$0.02 million.

Ms. Wenxiu Zhong, the chief executive officer of our Company, through the Guarantee Letter dated April 29, 2020, promised to unconditionally, irrevocably and personally bear any and all the economic losses and expenses actually incurred by our Company if we are subject to any payment or penalty in relation to our outstanding social insurance contributions from July 2018 to April 2019.

As of the date of this annual report, we have not received any notice from relevant government authorities or any claim or request from our employees in this regard. However, we cannot assure you that the relevant government authorities will not require us to pay the outstanding amount and impose late fees or fines on us. If we are otherwise subject to investigations related to non-compliance with labor laws and are imposed severe penalties or incur significant legal fees in connection with labor disputes or investigations, our business, financial condition and results of operations may be adversely affected.

As the interpretation and implementation of labor-related laws and regulations are still evolving, we cannot assure you that our employment practices will not violate PRC labor-related laws and regulations in the future, which may subject us to labor disputes or government investigations. We cannot assure you that we will be able to comply with all labor-related law and regulations regarding including those relating to obligations to make social insurance payments and contribute to the housing provident fund. If we are deemed to violate 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 will be adversely affected.

***Failure to obtain or maintain any preferential tax treatments, or the discontinuation, reduction or delay of any preferential tax treatments available to us in China could adversely affect our results of operations and financial condition.***

Under the Enterprise Income Tax Law (《中华人民共和国企业所得税法》) (the “EIT Law”), foreign-invested companies, such as wholly foreign-owned enterprises, and domestic companies, such as our consolidated affiliated entity and its subsidiaries, are subject to a unified income tax rate of 25%. Various favorable income tax rates are, however, available to qualified enterprises in certain encouraged sectors of the economy.

Pursuant to the Notice on Preferential EIT Policies for Two Special Economic Development Zones of Kashi and Horgos in Xinjiang Uygur Autonomous Region (《关于新疆喀什霍尔果斯两个特殊经济开发区企业所得税优惠政策的通知》), and the Implementation Opinions on Accelerating the Construction of Kashi and Horgos Economic Development Zones (《关于加快喀什、霍尔果斯经济开发区建设的实施意见》) (together the “Xinjiang EIT Exemption Policies”), an enterprise established in Horgos or Kashi between January 1, 2010 and December 31, 2020 and falling within the scope of the Catalogue of EIT Incentives for Industries Particularly Encouraged for Development by Poverty Areas of Xinjiang (《新疆困难地区重点鼓励发展产业企业所得税优惠目录》) are exempted from enterprise income tax, or EIT, for five years beginning from the first year in which the manufacturing or business operational revenue is earned. After the initial EIT exemption period, the enterprise is entitled to another five-year exemption on the local portion of its EIT.

Historically, we have benefited from preferential tax treatments from the PRC government, and Horgos Baosheng (established in 2016 in Horgos, Xinjiang), Kashi Baosheng (established in 2018 in Kashi, Xinjiang), and Baosheng Technology (established in 2020 in Horgos, Xinjiang), have all enjoyed EIT exemption under the Xinjiang EIT Exemption Policies since 2016, 2018, and 2020, respectively.

Although we have been or are now eligible for the foregoing preferential tax treatments, these preferential tax treatments are subject to uncertainties as to their interpretation, administrative implementation, changes and amendments from time to time, or even suspension and termination by relevant authorities. In particular, we cannot assure you that the Xinjiang EIT Exemption Policies will continue to be applied in such a way that will entitle Horgos Baosheng and Kashi Baosheng to continue to enjoy full EIT exemption in accordance with the existing applicable provisions, or that Horgos Baosheng and Kashi Baosheng will continue to be able to satisfy the qualifications provided for in the Xinjiang EIT Exemption Policies, the failure of which may render us no longer entitled to such EIT exemption. In the fiscal years 2021, 2020 and 2019, the effective tax rate for Horgos Baosheng and Kashi Baosheng under the Xinjiang EIT Exemption Policies were 0%. Had a standard EIT rate of 25% been applied to us in these fiscal years, we would have reported net profit (loss) of \$(6.7) million, \$4.4 million and \$7.4 million in the fiscal years 2021, 2020 and 2019, respectively, representing a reduction of \$nil (or 0%), \$2.7 million (or 38.2%), and \$3.8 million (or 33.7)% in our net profit, respectively.

Any changes in tax laws, regulations, rules, policies, administrative measures or their interpretation or administrative implementation which are applicable to us, or any change in our EIT exemption or any other preferential tax treatment status we may enjoy, could result in a significant increase in our tax obligations and tax payments, which in turn will have a material and adverse impact on our financial results and financial condition.

***Under the Enterprise Income Tax Law, we may be classified as a “Resident Enterprise” of China. Such classification will likely result in unfavorable tax consequences to us and our non-PRC shareholders.***

Under the EIT Law, an enterprise established outside of China with “de facto management bodies” within China is considered a “resident enterprise”, meaning that it can be subject to an EIT rate of 25.0% on its global income. In April 2009, the State Administration of Taxation (“SAT”) promulgated a circular, known as Circular 82, and partially amended by Circular 9 promulgated in January 2014, to clarify the certain criteria for the determination of the “de facto management bodies” for foreign enterprises controlled by PRC enterprises or PRC enterprise groups. Under Circular 82, a foreign enterprise is considered a PRC resident enterprise if all of the following apply: (1) the senior management and core management departments in charge of daily operations are located mainly within China; (2) decisions relating to the enterprise’s financial and human resource matters are made or subject to approval by organizations or personnel in China; (3) the enterprise’s primary assets, accounting books and records, company seals, and board and shareholders’ meeting minutes are located or maintained in China; and (4) 50.0% or more of voting board members or senior executives of the enterprise habitually reside in China. Further to Circular 82, SAT issued a bulletin, known as Bulletin 45, effective in September 2011 and amended on 1 June 2015 and 1 October 2016 to provide more guidance on the implementation of Circular 82 and clarify the reporting and filing obligations of such “Chinese controlled offshore incorporated resident enterprises.” Bulletin 45 provides for, among other matters, procedures for the determination of resident status and administration of post-determination matters. Although Circular 82 and Bulletin 45 explicitly provide that the above standards apply to enterprises that are registered outside China and controlled by PRC enterprises or PRC enterprise groups, Circular 82 may reflect SAT’s criteria for determining the tax residence of foreign enterprises in general.

If the PRC tax authorities determine that we are a “resident enterprise” for PRC enterprise income tax purposes, a number of unfavorable PRC tax consequences could follow. First, we may be subject to the enterprise income tax at a rate of 25% on our worldwide taxable income as well as PRC enterprise income tax reporting obligations. In our case, this would mean that income such as non-China source income would be subject to PRC enterprise income tax at a rate of 25%. Currently, we do not have any non-China source income, as we conduct our sales in China. Second, under the EIT Law and its implementing rules, dividends paid to us from our PRC subsidiaries would be deemed as “qualified investment income between resident enterprises” and therefore qualify as “tax-exempt income” pursuant to the clause 26 of the EIT Law. Finally, it is possible that future guidance issued with respect to the new “resident enterprise” classification could result in a situation in which the dividends we pay with respect to our Ordinary Shares, or the gain our non-PRC shareholders may realize from the transfer of our Ordinary Shares, may be treated as PRC-sourced income and may therefore be subject to a 10% PRC withholding tax. The EIT Law and its implementing regulations are, however, relatively new and ambiguities exist with respect to the interpretation and identification of PRC-sourced income, and the application and assessment of withholding taxes. If we are required under the EIT Law and its implementing regulations to withhold PRC income tax on dividends payable to our non-PRC shareholders, or if non-PRC shareholders are required to pay PRC income tax on gains on the transfer of their Ordinary Shares, our business could be negatively impacted and the value of your investment may be materially reduced. Further, if we were treated as a “resident enterprise” by PRC tax authorities, we would be subject to taxation in both China and such countries in which we have taxable income, and our PRC tax may not be creditable against such other taxes.

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

Any funds we transfer to our PRC operating subsidiaries, either as a shareholder loan or as an increase in registered capital, are subject to approval by or registration with relevant governmental authorities in China. According to the relevant PRC regulations on foreign-invested enterprises in China, capital contributions to our PRC operating subsidiaries Beijing Baosheng and Baosheng Network, which are foreign-invested enterprises, are subject to the approval of or filing with the Ministry of Commerce of the PRC (“MOFCOM”) or its local counterparts and registration with a local bank authorized by the State Administration of Foreign Exchange, or SAFE. There is, in effect, no statutory limit on the amount of capital contribution that we can make to our PRC operating subsidiaries. The reason is that there is no statutory limit on the amount of registered capital for our PRC operating subsidiaries, and we are allowed to make capital contributions to our PRC operating subsidiaries by subscribing for their initial registered capital and increased registered capital, provided that the PRC operating subsidiaries complete the relevant filing and registration procedures.

On the other hand, any foreign loan provided by us to our PRC operating subsidiaries is required to be registered with SAFE or its local branches or filed with SAFE in its information system, and our PRC operating subsidiaries may not procure foreign loans which exceed the difference between its total investment amount and registered capital (the “Current Foreign Debt Mechanism”) or, as an alternative, only procure loans subject to the calculation approach and limitations as provided in the People’s Bank of China (“PBOC”) Circular on Matters concerning the Macro-Prudential Management of Full-Covered Cross-Border Financing, or “PBOC Notice No. 9” (the “PBOC Notice No. 9 Mechanism”), which shall not exceed 200% of the net asset of the relevant PRC operating subsidiary. According to PBOC Notice No. 9, after a transition period of one year since its promulgation, PBOC and SAFE will determine the cross-border financing administration mechanism for the foreign-invested enterprises after evaluating the overall implementation of PBOC Notice No. 9. On March 11, 2020, Notice of PBOC and SAFE on the Adjustment of Macro-Prudential Adjustment Parameters for Full-Covered Cross-border Financing was issued, according to which, the Macro-Prudential Adjustment Parameters provided in the PBOC Notice No. 9 was adjusted from 1 to 1.25. On January 7, 2021, Notice of People’s Bank of China and State Administration of Foreign Exchange on the Adjustment of Macro-Prudential Adjustment Parameters for Cross-border Financing of Enterprises was issued, according to which, the Macro-Prudential Adjustment Parameters provided in the PBOC Notice No. 9 was adjusted from 1.25 to 1. As of the date hereof, neither PBOC nor SAFE has promulgated and made public any further rules, regulations, notices, or circulars in this regard. It is uncertain which mechanism will be adopted by PBOC and SAFE in the future and what statutory limits will be imposed on us when providing loans to our PRC operating subsidiaries. Currently, our PRC operating subsidiaries have the flexibility to choose between the Current Foreign Debt Mechanism and the PBOC Notice No. 9 Mechanism. However, if a more stringent foreign debt mechanism becomes mandatory, our ability to provide loans to our PRC subsidiaries may be significantly limited, which may adversely affect our business, financial condition, and results of operations.

If we seek to make capital contribution into our PRC operating subsidiaries or provide any loans to our PRC operating subsidiaries in the future, we may not be able to obtain the required government approvals or complete the required registrations on a timely basis, if at all. If we fail to receive such approvals or complete such registrations, our ability to capitalize our PRC operations may be negatively affected, which could adversely affect our liquidity and our ability to fund and expand our business.

***We may rely on dividends paid by our subsidiaries for our cash needs, and any limitation on the ability of our subsidiaries to make payments to us could have a material adverse effect on our ability to conduct business.***

As a holding company, we conduct substantially all of our business through our consolidated subsidiaries incorporated in China. We may rely on dividends paid by these PRC subsidiaries for our cash needs, including the funds necessary to pay any dividends and other cash distributions to our shareholders, to service any debt we may incur and to pay our operating expenses.

According to the Foreign Investment Law of the PRC and its implementing rules, which jointly established the legal framework for the administration of foreign-invested companies, a foreign investor may, in accordance with other applicable laws, freely transfer into or out of China its contributions, profits, capital earnings, income from asset disposal, intellectual property rights, royalties acquired, compensation or indemnity legally obtained, and income from liquidation, made or derived within the territory of China in RMB or any foreign currency, and any entity or individual shall not illegally restrict such transfer in terms of the currency, amount and frequency. According to the Company Law of the PRC and other Chinese laws and regulations, our PRC subsidiaries may pay dividends only out of their respective accumulated profits as 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 after-tax profits, if any, each year to fund a certain statutory reserve fund, until the aggregate amount of such fund reaches 50% of its registered capital. Where the statutory reserve fund is insufficient to cover any loss the PRC subsidiary incurred in the previous financial year, its current financial year's accumulated after-tax profits shall first be used to cover the loss before any statutory reserve fund is drawn therefrom. Such statutory reserve funds and the accumulated after-tax profits that are used for covering the loss cannot be distributed to us as dividends. At their discretion, our PRC subsidiaries may allocate a portion of their after-tax profits based on Chinese accounting standards to a discretionary reserve fund.

Renminbi is not freely convertible into other currencies. As result, any restriction on currency exchange may limit the ability of our PRC subsidiaries to use any future Renminbi revenues to pay dividends to us. The Chinese government imposes controls on the convertibility of Renminbi into foreign currencies and, in certain cases, the remittance of currency out of China. Shortages in availability of foreign currency may then restrict the ability of our PRC subsidiaries to remit sufficient foreign currency to our offshore entities for our offshore entities to pay dividends or make other payments or otherwise to satisfy our foreign-currency-denominated obligations. The Renminbi is currently convertible under the "current account," which includes dividends, trade and service-related foreign exchange transactions, but not under the "capital account," which includes foreign direct investment and foreign currency debt, including loans we may secure for our onshore subsidiaries. Currently, our PRC subsidiaries may purchase foreign currency for settlement of "current account transactions," including payment of dividends to us, without the approval of SAFE by complying with certain procedural requirements. However, the relevant Chinese governmental authorities may limit or eliminate our ability to purchase foreign currencies in the future for current account transactions. Any existing and future restrictions on currency exchange may limit our ability to utilize revenue generated in Renminbi to fund our business activities outside of China or pay dividends in foreign currencies to holders of our Ordinary Shares. Foreign exchange transactions under the capital account remain subject to limitations and require approvals from, or registration with, SAFE and other relevant Chinese governmental authorities. This could affect our ability to obtain foreign currency through debt or equity financing for our subsidiaries.

In response to the persistent capital outflow in China and Renminbi's depreciation against the U.S. dollar in the fourth quarter of 2016, PBOC and SAFE have promulgated a series of capital controls in early 2017, including stricter vetting procedures for domestic companies to remit foreign currency for overseas investments, dividends payments and shareholder loan repayments.

The Chinese government may continue to strengthen its capital controls, and more restrictions and substantial vetting processes may be put forward by SAFE for cross-border transactions falling under both the current account and the capital account. Any limitation on the ability of our PRC subsidiaries to pay dividends or make other kinds of payments 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.

On January 12, 2022, Beijing Baosheng received a final judgment from the intermediate court, upholding the original judgment issued on July 30, 2021. According to the original judgment, Beijing Baosheng is required to pay the plaintiff RMB10,739,877 (approximately \$1,685,321) and court expenses of RMB71,421 (approximately \$11,207). In addition, Beijing Baosheng is required to pay the plaintiff RMB28,192 (approximately \$4,434) of interest and the court enforcement fee of RMB78,211 (approximately \$12,273). On February 8, 2022, the final judgment was enforced by the court with a total of RMB10,917,701 (approximately \$1,713,225) being withdrawn from one of the frozen bank accounts of Beijing Baosheng, the bank account at Bank of Hangzhou, which bank account was unfrozen afterwards, and which amount was applied to the satisfaction of such judgment and the payment in full of the related fees and expenses. As confirmed by Beijing Baosheng's PRC counsel, the Freezing Order (including the freezing of Beijing Baosheng's equity interests in Horgos Baosheng and Kashi Baosheng) will be reversed and all of the impacted assets will be unfrozen, accordingly. As of the date of this annual report, three out of the four frozen accounts have been unfrozen and the unfreezing procedure for the remaining one account is still in progress, which is expected to be completed by the end of July 2022. Additionally, the unfreezing procedure related to Beijing Baosheng's equity interests in Horgos Baosheng and Kashi Baosheng is still in progress. We expect that the impacted equity interests will be unfrozen in August 2022.

Ms. Wenxiu Zhong executed the Guarantee Letter on April 2, 2020. Pursuant to the Guarantee Letter, Ms. Wenxiu Zhong promised to unconditionally, irrevocably and personally bear any and all the economic expenses and losses actually incurred by Beijing Baosheng, Baosheng Hong Kong, and the Company in connection with the Equity Ownership Dispute and the Contractual Dispute, including, but not limited to, the amount of damages imposed by the courts, court expenses and attorney fees.

Accordingly, Beijing Baosheng requested Ms. Wenxiu Zhong to perform her obligations under the Guarantee Letter by reimbursing Beijing Baosheng's litigation costs, including, but not limited to, the amount of damages imposed by the courts, court expenses, and attorney fees. As of March 10, 2022, as promised by the Guarantee Letter, Ms. Zhong had made the payment in cash of RMB11,053,940 (approximately \$1,734,604) to Beijing Baosheng. Such payment made by Ms. Zhong includes the amount paid to Ms. Chen Chen as ordered by the courts plus interest as well as the court expense, attorney fee, and court enforcement fee.

***Failure to comply with PRC regulations relating to the establishment of offshore special purpose companies by PRC residents may subject our PRC resident Shareholders to personal liability, may limit our ability to acquire PRC companies or to inject capital into our PRC subsidiaries, may limit the ability of our PRC subsidiaries to distribute profits to us or may otherwise materially and adversely affect us.***

Pursuant to the Circular on relevant issues concerning Foreign Exchange Administration of Overseas Investment and Financing and Return Investments Conducted by Domestic Residents through Overseas Special Purpose Vehicle (《关于境内居民通过特殊目的公司境外投融资及返程投资外汇管理有关问题的通知》) (“Circular 37”), which was promulgated by SAFE, and became effective on July 4, 2014, (1) a PRC resident must register with the local SAFE branch before he or she contributes assets or equity interests in an overseas special purpose vehicle, or an Overseas SPV, that is directly established or indirectly controlled by the PRC resident for the purpose of conducting investment or financing; and (2) following the initial registration, the PRC resident is also required to register with the local SAFE branch for any major change, in respect of the Overseas SPV, including, among other things, a change in the Overseas SPV's PRC resident shareholder, name of the Overseas SPV, term of operation, or any increase or reduction of the contributions by the PRC resident, share transfer or swap, and merger or division. Additionally, pursuant to the Circular of SAFE on Further Simplifying and Improving the Direct Investment-related Foreign Exchange Administration Policies (《关于进一步简化和改进直接投资外汇管理政策的通知》) (“Circular 13”), which was promulgated on February 13, 2015 and became effective on June 1, 2015, the aforesaid registration shall be directly reviewed and handled by qualified banks in accordance with the Circular 13, and SAFE and its branches shall perform indirect regulation over the foreign exchange registration via qualified banks.

Ms. Wenxiu Zhong, Mr. Sheng Gong and Mr. Hui Yu have completed the initial foreign exchange registration on January 9, 2019. As it remains unclear how Circular 37 and Circular 13 will be interpreted and implemented, and how or whether SAFE will apply them to us. Therefore, we cannot predict how they will affect our business operations or future strategies. For example, the ability of our present and prospective PRC subsidiaries to conduct foreign exchange activities, such as the remittance of dividends and foreign currency-denominated borrowings, may be subject to compliance with Circular 37 and Circular 13 by our PRC resident beneficial holders. In addition, as we have little control over either our present or prospective, direct or indirect Shareholders or the outcome of such registration procedures, we cannot assure you that these Shareholders who are PRC residents will amend or update their registration as required under Circular 37 and Circular 13 in a timely manner or at all. Failure of our present or future shareholders who are PRC residents to comply with Circular 37 and Circular 13 could subject these shareholders to fines or legal sanctions, restrict our overseas or cross-border investment activities, limit the ability of our PRC subsidiaries to make distributions or pay dividends or affect our ownership structure, which could adversely affect our business and prospects.

***You may be subject to PRC income tax on dividends from us or on any gain realized on the transfer of our Ordinary Shares.***

Under the EIT Law and its implementation rules, subject to any applicable tax treaty or similar arrangement between the PRC and your jurisdiction of residence that provides for a different income tax arrangement, PRC withholding tax at the rate of 10.0% is normally applicable to dividends from PRC sources payable to investors that are non-PRC resident enterprises, which do not have an establishment or place of business in China, or which have such establishment or place of business if the relevant income is not effectively connected with the establishment or place of business. Any gain realized on the transfer of shares by such investors is subject to 10.0% PRC income tax if such gain is regarded as income derived from sources within China unless a treaty or similar arrangement otherwise provides. Under the Individual Income Tax Law of the PRC (《中华人民共和国个人所得税法》) and its implementation rules, dividends from sources within China paid to foreign individual investors who are not PRC residents are generally subject to a PRC withholding tax at a rate of 20% and gains from PRC sources realized by such investors on the transfer of shares are generally subject to 20% PRC income tax, in each case, subject to any reduction or exemption set forth in applicable tax treaties and PRC laws.

There is a risk that we will be treated by the PRC tax authorities as a PRC tax resident enterprise. In that case, any dividends we pay to our Shareholders may be regarded as income derived from sources within China and we may be required to withhold a 10.0% PRC withholding tax for the dividends we pay to our investors who are non-PRC corporate Shareholders, or a 20.0% withholding tax for the dividends we pay to our investors who are non-PRC individual Shareholders, including the holders of our Shares. In addition, our non-PRC Shareholders may be subject to PRC tax on gains realized on the sale or other disposition of our Shares, if such income is treated as sourced from within China. It is unclear whether our non-PRC Shareholders would be able to claim the benefits of any tax treaties between their tax residence and China in the event that we are considered as a PRC resident enterprise. If PRC income tax is imposed on gains realized through the transfer of our Shares or on dividends paid to our non-resident investors, the value of your investment in our Shares may be materially and adversely affected. Furthermore, our Shareholders whose jurisdictions of residence have tax treaties or arrangements with China may not qualify for benefits under such tax treaties or arrangements.

***We may be unable to complete a business combination transaction efficiently or on favorable terms due to complicated merger and acquisition regulations and certain other PRC regulations.***

On August 8, 2006, six PRC regulatory authorities, including MOFCOM, the State Assets Supervision and Administration Commission, SAT, the Administration for Industry and Commerce (“SAIC”), the China Securities Regulatory Commission (“CSRC”) and SAFE, jointly issued the Regulations on Mergers and Acquisitions of Domestic Enterprises by Foreign Investors (《关于外国投资者并购境内企业的规定》) (the “M&A Rules”), which became effective on September 8, 2006 and was amended in June 2009. The M&A Rules, governing the approval process by which a PRC company may participate in an acquisition of assets or equity interests by foreign investors, requires the PRC parties to make a series of applications and supplemental applications to the government agencies, depending on the structure of the transaction. In some instances, the application process may require presentation of economic data concerning a transaction, including appraisals of the target business and evaluations of the acquirer, which are designed to allow the government to assess the transaction. Accordingly, due to the M&A Rules, our ability to engage in business combination transactions has become significantly more complicated, time-consuming and expensive, and we may not be able to negotiate a transaction that is acceptable to our Shareholders or sufficiently protect their interests in a transaction.

The M&A Rules allow PRC government agencies to assess the economic terms of a business combination transaction. Parties to a business combination transaction may have to submit to MOFCOM and other relevant government agencies an appraisal report, an evaluation report and the acquisition agreement, all of which form part of the application for approval, depending on the structure of the transaction. The M&A Rules also prohibit a transaction at an acquisition price obviously lower than the appraised value of the business or assets in China and in certain transaction structures, require that consideration must be paid within defined periods, generally not in excess of a year. In addition, the M&A Rules also limit our ability to negotiate various terms of the acquisition, including aspects of the initial consideration, contingent consideration, holdback provisions, indemnification provisions and provisions relating to the assumption and allocation of assets and liabilities. Transaction structures involving trusts, nominees and similar entities are prohibited. Therefore, such regulation may impede our ability to negotiate and complete a business combination transaction on legal and/or financial terms that satisfy our investors and protect our Shareholders’ economic interests.

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

SAT released a circular on December 15, 2009 that addresses the transfer of shares by nonresident companies, generally referred to as Circular 698. Circular 698, which became effective retroactively to January 1, 2008, may have a significant impact on many companies that use offshore holding companies to invest in China. Circular 698 has the effect of taxing foreign companies on gains derived from the indirect sale of a PRC company. Where a foreign investor indirectly transfers equity interests in a PRC resident enterprise by selling the shares in an offshore holding company, and the latter is located in a country or jurisdiction that has an effective tax rate less than 12.5% or does not tax foreign income of its residents, the foreign investor must report this indirect transfer to the tax authority in charge of that PRC resident enterprise. Using a “substance over form” principle, the PRC tax authority may disregard the existence of the overseas holding company if it lacks a reasonable commercial purpose and was established for the purpose of avoiding PRC tax. As a result, gains derived from such indirect transfer may be subject to PRC withholding tax at a rate of up to 10.0%.

SAT subsequently released public notices to clarify issues relating to Circular 698, including the Announcement on Several Issues concerning the EIT on the Indirect Transfers of Properties by Nonresident Enterprises (《关于非居民企业间接转让财产企业所得税若干问题的公告》) (the “SAT Notice 7”), which became effective on February 3, 2015. SAT Notice 7 abolished the compulsive reporting obligations originally set out in Circular 698. Under SAT Notice 7, if a non-resident enterprise transfers its shares in an overseas holding company, which directly or indirectly owns PRC taxable properties, including shares in a PRC company, via an arrangement without reasonable commercial purpose, such transfer shall be deemed as indirect transfer of the underlying PRC taxable properties. Accordingly, the transferee shall be deemed as a withholding agent with the obligation to withhold and remit the EIT to the competent PRC tax authorities. Factors that may be taken into consideration when determining whether there is a “reasonable commercial purpose” include, among other factors, the economic essence of the transferred shares, the economic essence of the assets held by the overseas holding company, the taxability of the transaction in offshore jurisdictions, and economic essence and duration of the offshore structure. SAT Notice 7 also sets out safe harbors for the “reasonable commercial purpose” test.

On October 17, 2017, SAT released the Notice on Several Issues concerning the Withholding and Collection of Income Tax of Non-resident Enterprises from the Source (《关于非居民企业所得税源泉扣缴有关问题的公告》) (“SAT Notice 37”). SAT Notice 37 clarifies: (1) matters concerning the withholding and collection of corporate income tax, and property transfer of non-resident enterprises based on the EIT Law; (2) the currencies required to be used by the withholding agents (when the payments is made in a currency rather than RMB), as well as the time, venue and business for the performance of the withholding and collection obligations; and (3) the abolishment of Circular 698.

There is little guidance and practical experience regarding the application of SAT Notice 7 and SAT Notice 37 and the related SAT notices. Moreover, the relevant authority has not yet promulgated any formal provisions or formally declared or stated how to calculate the effective tax rates in foreign tax jurisdictions. As a result, due to our complex offshore restructuring, we may become at risk of being taxed under SAT Notice 7 and SAT Notice 37 and we may be required to expend valuable resources to comply with SAT Notice 7 and SAT Notice 37 or to establish that we should not be taxed under SAT Notice 7 and SAT Notice 37, which could have a material adverse effect on our financial condition and results of operations.

***You may have difficulty effecting service of legal process, enforcing judgments or bringing actions against us and our management.***

We are an exempted Cayman Islands holding company. In addition, substantially all of our assets and some of the assets of our directors and executive officers are located in the PRC. As a result, investors may not be able to effect service of process upon us or our directors and executive officers.

Further, China has not entered into treaties or arrangements providing for the recognition and enforcement of judgments made by courts of most other jurisdictions. Any final judgment obtained against us in any court other than the courts of the PRC in connection with any legal suit or proceeding arising out of or relating to our Ordinary Shares will be enforced by the courts of the PRC without further review of the merits only if the court of the PRC in which enforcement is sought is satisfied that:

- the court rendering the judgment has jurisdiction over the subject matter according to the laws of the PRC;
- the judgment and the court procedure resulting in the judgment are not contrary to the public order or good morals of the PRC;
- if the judgment was rendered by default by the court rendering the judgment, we, or the above mentioned persons, were duly served within a reasonable period of time in accordance with the laws and regulations of the jurisdiction of the court or process was served on us with judicial assistance of the PRC; and
- judgments at the courts of the PRC are recognized and enforceable in the court rendering the judgment on a reciprocal basis.

If you fail to establish the foregoing to the satisfaction of the courts in the PRC, you may not be able to enforce a judgment against us rendered by a court in the United States.

Further, pursuant to the Civil Procedures Law of the PRC, any matter, including matters arising under U.S. federal securities laws, in relation to assets or personal relationships may be brought as an original action in China, only if the institution of such action satisfies the conditions specified in the Civil Procedures Law of the PRC. As a result of the conditions set forth in the Civil Procedures Law and the discretion of the PRC courts to determine whether the conditions are satisfied and whether to accept action for adjudication, there remains uncertainty as to whether an investor will be able to bring an original action in a PRC court based on U.S. federal securities laws.

***U.S. regulatory bodies may be limited in their ability to conduct investigations or inspections of our operations in China.***

The U.S. Securities and Exchange Commission (the “SEC”), the U.S. Department of Justice and other U.S. authorities may also have difficulties in bringing and enforcing actions against us or our directors or executive officers in the PRC. The SEC has stated that there are significant legal and other obstacles to obtaining information needed for investigations or litigation in China. China has recently adopted a revised securities law that became effective on March 1, 2020, Article 177 of which provides, among other things, that no overseas securities regulator is allowed to directly conduct investigation or evidence collection activities within the territory of the PRC. Accordingly, without governmental approval in China, no entity or individual in China may provide documents and information relating to securities business activities to overseas regulators when it is under direct investigation or evidence discovery conducted by overseas regulators, which could present significant legal and other obstacles to obtaining information needed for investigations and litigation conducted outside of China.

***Recent joint statement by the SEC and the PCAOB proposed rule changes submitted by Nasdaq, and the Holding Foreign Companies Accountable Act all call for additional and more stringent criteria to be applied to emerging market companies upon assessing the qualification of their auditors, especially the non-U.S. auditors who are not inspected by the PCAOB. These developments could add uncertainties to our offering.***

On April 21, 2020, SEC Chairman Jay Clayton and PCAOB Chairman William D. Duhnke III, along with other senior SEC staff, released a joint statement highlighting the risks associated with investing in companies based in or have substantial operations in emerging markets including China. The joint statement emphasized the risks associated with lack of access for the PCAOB to inspect auditors and audit work papers in China and higher risks of fraud in emerging markets.

On May 18, 2020, Nasdaq filed three proposals with the SEC to (i) apply a minimum offering size requirement for companies primarily operating in a “Restrictive Market,” (ii) adopt a new requirement relating to the qualification of management or the board of directors for Restrictive Market companies, and (iii) apply additional and more stringent criteria to an applicant or listed company based on the qualifications of the company’s auditor.

On May 20, 2020, the U.S. Senate passed the Holding Foreign Companies Accountable Act, or the HFCAA, requiring a foreign company to certify it is not owned or controlled by a foreign government if the PCAOB is unable to audit specified reports because the company uses a foreign auditor not subject to PCAOB inspection. If the PCAOB is unable to inspect the company’s auditors for three consecutive years, the issuer’s securities are prohibited to trade on a national exchange. On December 2, 2020, the U.S. House of Representatives approved the HFCAA. On December 18, 2020, the HFCAA was signed into law. On March 24, 2021, the SEC adopted interim final rules relating to the implementation of certain disclosure and documentation requirements of the HFCAA. On June 22, 2021, the U.S. Senate passed a bill which, if passed by the U.S. House of Representatives and signed into law, would reduce the number of consecutive non-inspection years required for triggering the prohibitions under the HFCAA from three years to two and thus, would reduce the time before our Ordinary Shares may be prohibited from trading or delisted.

The lack of access to the PCAOB inspection in China prevents the PCAOB from fully evaluating audits and quality control procedures of the auditors based in China. As a result, investors may be deprived of the benefits of such PCAOB inspections. The inability of the PCAOB to conduct inspections of auditors in China makes it more difficult to evaluate the effectiveness of these accounting firm’s audit procedures or quality control procedures as compared to auditors outside of China that are subject to the PCAOB inspections, which could cause investors and potential investors in our Ordinary Shares to lose confidence in our audit procedures and reported financial information and the quality of our financial statements.

On December 2, 2021, the SEC adopted amendments to finalize rules implementing the HFCAA, requiring the SEC to prohibit an issuer’s securities from trading on any U.S. stock exchanges if its auditor is not subject to PCAOB inspections for two consecutive years instead of three.

On December 16, 2021, the PCAOB issued a Determination Report which found that the PCAOB is unable to inspect or investigate completely registered public accounting firms headquartered in: (1) mainland China of the People's Republic of China, because of a position taken by one or more authorities in mainland China; and (2) Hong Kong, a Special Administrative Region and dependency of the PRC, because of a position taken by one or more authorities in Hong Kong. In addition, the Determination Report identified the specific registered public accounting firms which are subject to these determinations.

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 and was not identified in the Determination Report as a firm subject to the PCAOB's determination. Our auditor is headquartered in Manhattan, New York, and has been inspected by the PCAOB on a regular basis, with the last inspection in June 2018. Therefore, we believe that, as of the date of this annual report, our auditor is not subject to the determinations announced by the PCAOB on December 16, 2021 relating to the PCAOB's inability to inspect or investigate completely registered public accounting firms headquartered in mainland China of the PRC or Hong Kong because of a position taken by one or more authorities in the PRC or Hong Kong.

However, we cannot assure you whether the national securities exchange we are listed on or regulatory authorities would apply additional and more stringent criteria to us after considering the effectiveness of our auditor's audit procedures and quality control procedures, adequacy of personnel and training, or sufficiency of resources, geographic reach, or experience as it relates to our audit. In addition, the HFCAA, which requires that the PCAOB be permitted to inspect an issuer's public accounting firm within two years, may result in the delisting of our Company in the future if the PCAOB is unable to inspect our accounting firm at such future time.

***We may be exposed to liabilities under the Foreign Corrupt Practices Act and Chinese anti-corruption law.***

We are subject to the U.S. Foreign Corrupt Practices Act (the "FCPA"), and other laws that prohibit improper payments or offers of payments to foreign governments and their officials and political parties by U.S. persons and issuers as defined by the statute for the purpose of obtaining or retaining business. We are also subject to Chinese anti-corruption laws, which strictly prohibit the payment of bribes to government officials. We have operations, agreements with third parties, and make sales in China, which may experience corruption. Our activities in China create the risk of unauthorized payments or offers of payments by one of the employees, consultants or distributors of our Company, because these parties are not always subject to our control.

Although we believe to date we have complied in all material respects with the provisions of the FCPA and Chinese anti-corruption law, our existing safeguards and any future improvements may prove to be less than effective, and the employees, consultants or distributors of our Company may engage in conduct for which we might be held responsible. Violations of the FCPA or Chinese anti-corruption law may result in severe criminal or civil sanctions, and we may be subject to other liabilities, which could negatively affect our business, operating results and financial condition. In addition, the government may seek to hold our Company liable for successor liability FCPA violations committed by companies in which we invest or that we acquire.

***Because our business is conducted in RMB and the price of our Ordinary Shares is quoted in the U.S. dollar, changes in the exchange rate between RMB and the U.S. dollar may affect the value of your investments.***

Our business is conducted in the PRC with our books and records maintained in RMB. However, the financial statements that we file with the SEC and provide to our shareholders are presented in the U.S. dollar. Changes in the exchange rate between RMB and the U.S. dollar affect the value of our assets and the results of our operations in the U.S. dollar. The exchange rate between RMB and the U.S. dollar is affected by, among other things, changes in the PRC's political and economic conditions and perceived changes in the economy of the PRC and the United States. Any significant revaluation of the RMB may materially and adversely affect our cash flows, revenue and financial condition.

## Risks Related to Our Ordinary Shares

***Our share price has recently declined substantially, and our ordinary shares could be delisted from the Nasdaq or trading could be suspended.***

The listing of our ordinary shares on the Nasdaq Capital Market is contingent on our compliance with the Nasdaq Capital Market's conditions for continued listing. On February 1, 2022, we received written notification (the "Notification Letter") from the Nasdaq Stock Market LLC ("Nasdaq") that we were not in compliance with the minimum bid price requirement of US\$1.00 per share under the Nasdaq Listing Rules. In accordance with Nasdaq Listing Rules, we must regain compliance within 180 calendar days, or until August 1, 2022. To regain compliance, our ordinary shares must have a closing bid price of at least US\$1.00 for a minimum of 10 consecutive business days. In the event we do not regain compliance by August 1, 2022, we may be eligible for an additional 180 calendar days to regain compliance or face delisting. On April 29, 2022, we held our 2022 annual general meeting of shareholders, during which our shareholders approved the proposal to effect a share consolidation at a ratio of 3.2-to-1 (the "Share Consolidation"). On May 11, 2022, our board of directors adopted resolutions to set the effective date of the Share Consolidation to May 24, 2022, and will be reflected with the Nasdaq Stock Market and in the marketplace at the opening of business on May 25, 2022.

We cannot assure you that we will be able to regain compliance with the minimum bid price requirement under the Nasdaq Listing Rules. Even if we are able to regain compliance, we cannot assure you that we will not receive other deficiency notifications from Nasdaq in the future. A decline in the closing price of our ordinary shares could result in a breach of the requirements for listing on the Nasdaq Capital Market. If we do not maintain compliance, Nasdaq could commence suspension or delisting procedures in respect of our ordinary shares. The commencement of suspension or delisting procedures by an exchange remains at the discretion of such exchange and would be publicly announced by the exchange. If a suspension or delisting were to occur, there would be significantly less liquidity in the suspended or delisted securities. In addition, our ability to raise additional necessary capital through equity or debt financing would be greatly impaired. Furthermore, with respect to any suspended or delisted ordinary shares, we would expect decreases in institutional and other investor demand, analyst coverage, market making activity and information available concerning trading prices and volume, and fewer broker-dealers would be willing to execute trades with respect to such ordinary shares. A suspension or delisting would likely decrease the attractiveness of our ordinary shares to investors and cause the trading volume of our ordinary shares to decline, which could result in a further decline in the market price of our ordinary shares.

***Shares eligible for future sale may adversely affect the market price of our Ordinary Shares, as the future sale of a substantial amount of outstanding Ordinary Shares in the public marketplace could reduce the price of our Ordinary Shares.***

The market price of our shares could decline as a result of sales of substantial amounts of our shares in the public market, or the perception that these sales could occur. In addition, these factors could make it more difficult for us to raise funds through future offerings of our Ordinary Shares. We cannot predict the effect, if any, market sales of shares held by our significant shareholders or any other shareholders or the availability of these shares for future sale will have on the market price of our ordinary shares.

***A sale or perceived sale of a substantial number of our Ordinary Shares may cause the price of our Ordinary Shares to decline.***

If our shareholders sell substantial amounts of our Ordinary Shares in the public market, the market price of our Ordinary Shares could fall. Moreover, the perceived risk of this potential dilution could cause shareholders to attempt to sell their shares and investors to short our Ordinary Shares. These sales also make it more difficult for us to sell equity-related securities in the future at a time and price that we deem reasonable or appropriate.

***We cannot assure you that we will declare and distribute any dividends in the future.***

Our historical dividend distribution should not be used as a reference or basis to determine the level of dividends that may be declared and paid by us in the future. A decision to declare and pay any dividends would require the recommendations of our board of directors and approval of our shareholders. Under the Articles, our directors have the power to pay interim dividends but only if they are justified by the position of our Company. The decision to pay dividends will be reviewed in light of the factors such as the results of operations, financial condition and position, and other factors deemed relevant. Any distributable profits that are not distributed in any given year may be retained and available for distribution in subsequent years. To the extent profits are distributed as dividends, such portion of profits will not be available to be reinvested in our operations. There can be no assurance that we will be able to declare or distribute

any dividend. Our future declarations of dividends will be at the absolute discretion of our board of directors. You may not realize a return on your investment in our Ordinary Shares and you may even lose your entire investment in our Ordinary Shares.

***For as long as we are an emerging growth company, we will not be required to comply with certain reporting requirements, including those relating to accounting standards and disclosure about our executive compensation, that apply to other public companies.***

In April 2012, President Obama signed into law the JOBS Act. We are classified as an “emerging growth company” under the JOBS Act. For as long as we are an emerging growth company, which may be up to five full fiscal years, unlike other public companies, we will not be required to, among other things, (i) provide an auditor’s attestation report on management’s assessment of the effectiveness of our system of internal control over financial reporting pursuant to Section 404(b) of the Sarbanes-Oxley Act, (ii) comply with any new requirements adopted by the PCAOB requiring mandatory audit firm rotation or a supplement to the auditor’s report in which the auditor would be required to provide additional information about the audit and the financial statements of the issuer, (iii) provide certain disclosure regarding executive compensation required of larger public companies or (iv) hold nonbinding advisory votes on executive compensation. We will remain an emerging growth company for up to five years, although we will lose that status sooner if we have more than \$1.07 billion of revenues in a fiscal year, have more than \$700 million in market value of our Ordinary Shares held by non-affiliates, or issue more than \$1.0 billion of non-convertible debt over a three-year period.

To the extent that we rely on any of the exemptions available to emerging growth companies, you will receive less information about our executive compensation and internal control over financial reporting than issuers that are not emerging growth companies. If some investors find our Ordinary Shares to be less attractive as a result, there may be a less active trading market for our Ordinary Shares and our stock price may be more volatile.

***If we fail to establish and maintain proper internal financial reporting controls, our ability to produce accurate financial statements or comply with applicable regulations could be impaired.***

Pursuant to Section 404 of the Sarbanes-Oxley Act, we are required to file a report by our management on our internal control over financial reporting, including an attestation report on internal control over financial reporting issued by our independent registered public accounting firm. However, while we remain an emerging growth company, we will not be required to include an attestation report on internal control over financial reporting issued by our independent registered public accounting firm. The presence of material weaknesses in internal control over financial reporting could result in financial statement errors which, in turn, could lead to errors in our financial reports and/or delays in our financial reporting, which could require us to restate our operating results. We might not identify one or more material weaknesses in our internal controls in connection with evaluating our compliance with Section 404 of the Sarbanes-Oxley Act. In order to maintain and improve the effectiveness of our disclosure controls and procedures and internal controls over financial reporting, we need to expend significant resources and provide significant management oversight. Implementing any appropriate changes to our internal controls may require specific compliance training of our directors and employees, entail substantial costs in order to modify our existing accounting systems, take a significant period of time to complete and divert management’s attention from other business concerns. These changes may not, however, be effective in maintaining the adequacy of our internal control.

If we are unable to conclude that we have effective internal controls over financial reporting, investors may lose confidence in our operating results, the price of the Ordinary Shares could decline and we may be subject to litigation or regulatory enforcement actions. In addition, if we are unable to meet the requirements of Section 404 of the Sarbanes-Oxley Act, the Ordinary Shares may not be able to remain listed on Nasdaq Capital Market.

***As a foreign private issuer, we are not subject to certain U.S. securities law disclosure requirements that apply to a domestic U.S. issuer, which may limit the information publicly available to our shareholders.***

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;
- the selective disclosure rules by issuers of material nonpublic information under Regulation FD; and
- certain audit committee independence requirements in Rule 10A-3 of the Exchange Act.

We are required to file an annual report on Form 20-F within four months of the end of each fiscal year. 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 foreign private issuer, we are permitted to adopt certain home country practices in relation to corporate governance matters that differ significantly from the Nasdaq Stock Market corporate governance listing standards. These practices may afford less protection to shareholders than they would enjoy if we complied fully with corporate governance listing standards.***

As a foreign private issuer, we are permitted to take advantage of certain provisions in the Nasdaq Stock Market listing rules that allow us to follow Cayman Islands law for certain governance matters. Certain corporate governance practices in the Cayman Islands may differ significantly from corporate governance listing standards as, except for general fiduciary duties and duties of care, Cayman Islands law has no corporate governance regime which prescribes specific corporate governance standards. When our Ordinary Shares are listed on the Nasdaq Capital Market, we intend to continue to follow Cayman Islands corporate governance practices in lieu of the corporate governance requirements of the Nasdaq Stock Market in respect of the following: (i) the majority independent director requirement under Section 5605(b)(1) of the Nasdaq Stock Market listing rules, (ii) the requirement under Section 5605(d) of the Nasdaq Stock Market listing rules that a compensation committee comprised solely of independent directors governed by a compensation committee charter oversee executive compensation, (iii) the requirement under Section 5605(e) of the Nasdaq Stock Market listing rules that director nominees be selected or recommended for selection by either a majority of the independent directors or a nominations committee comprised solely of independent directors and (iv) the requirement under Section 5605(b)(2) of the Nasdaq Stock Market listing rules that our independent directors hold regularly scheduled executive sessions. Cayman Islands law does not impose a requirement that our board of directors consist of a majority of independent directors. Nor does Cayman Islands law impose specific requirements on the establishment of a compensation committee or nominating committee or nominating process. Therefore, our shareholders may be afforded less protection than they otherwise would have under corporate governance listing standards applicable to U.S. domestic issuers.

***We may lose our foreign private issuer status in the future, which could result in significant additional costs and expenses.***

As discussed above, we are a foreign private issuer, and therefore, we are not required to comply with all of the periodic disclosure and current reporting requirements of the Exchange Act. The determination of foreign private issuer status is made annually on the last business day of an issuer's most recently completed second fiscal quarter. We would lose our foreign private issuer status if, for example, more than 50% of our Ordinary Shares are directly or indirectly held by residents of the U.S. and we fail to meet additional requirements necessary to maintain our foreign private issuer status. If we lose our foreign private issuer status on this date, we will be required to file with the SEC periodic reports and registration statements on U.S. domestic issuer forms, which are more detailed and extensive than the forms available to a foreign private issuer. We will also have to mandatorily comply with U.S. federal proxy requirements, and our officers, directors and principal shareholders will become subject to the short-swing profit disclosure and recovery provisions of Section 16 of the Exchange Act. In addition, we will lose our ability to rely upon exemptions from certain corporate governance requirements under the Nasdaq listing rules. As a U.S. listed public company that is not a foreign private issuer, we will incur significant additional legal, accounting and other expenses that we will not incur as a foreign private issuer, and accounting, reporting and other expenses in order to maintain a listing on a U.S. securities exchange.

***The requirements of being a public company may strain our resources and divert management's attention.***

As a public company, we are subject to the reporting requirements of the Securities Exchange Act of 1934, as amended, or the Exchange Act, the Sarbanes-Oxley Act, the Dodd-Frank Wall Street Reform and Consumer Protection Act, the listing requirements of Nasdaq, and other applicable securities rules and regulations. Despite recent reforms made possible by the JOBS Act, compliance with these rules and regulations will nonetheless increase our legal, accounting, and financial compliance costs and investor relations and public relations costs, make some activities more difficult, time-consuming or costly and increase demand on our systems and resources, particularly after we are no longer an “emerging growth company.” The Exchange Act requires, among other things, that we file annual, quarterly, and current reports with respect to our business and operating results as well as proxy statements.

As a result of disclosure of information in this annual report on Form 20-F and in filings required of a public company, our business and financial condition are more visible, which we believe may result in threatened or actual litigation, including by competitors and other third parties. If such claims are successful, our business and operating results could be harmed, and even if the claims do not result in litigation or are resolved in our favor, these claims, and the time and resources necessary to resolve them, could divert the resources of our management and adversely affect our business, brand and reputation and results of operations.

Being a public company and these new rules and regulations will make it more expensive for us to obtain director and officer liability insurance, and we may be required to accept reduced coverage or incur substantially higher costs to obtain coverage. These factors could also make it more difficult for us to attract and retain qualified members of our board of directors, particularly to serve on our audit committee and compensation committee, and qualified executive officers.

***The laws of the Cayman Islands may not provide our shareholders with benefits comparable to those provided to shareholders of corporations incorporated in the United States. For instance, 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.***

Our corporate affairs are governed by our amended and restated memorandum and articles of association, by the Companies Act (2021 Revision) of the Cayman Islands and by the common law of the Cayman Islands. The rights of shareholders to take action against our directors, actions by minority shareholders and the fiduciary responsibilities of our directors to us under Cayman Islands law are to a large extent governed by the common law of the Cayman Islands. The common law in the Cayman Islands is derived in part from comparatively limited judicial precedent in the Cayman Islands and from English common law. Decisions of the Privy Council (which is the final Court of Appeal for British Overseas Territories such as the Cayman Islands) are binding on a court in the Cayman Islands. Decisions of the English courts, and particularly the Supreme Court and the Court of Appeal are generally of persuasive authority but are not binding in the courts of the Cayman Islands. Decisions of courts in other Commonwealth jurisdictions are similarly of persuasive but not binding authority. The rights of our shareholders and the fiduciary responsibilities of our directors under Cayman Islands law are not as clearly established as they would be under statutes or judicial precedents in the United States. In particular, the Cayman Islands has a less developed body of securities laws relative to the United States. Some U.S. states, such as Delaware, have more fully developed and judicially interpreted bodies of corporate law than the Cayman Islands. In addition, Cayman Islands companies may not have standing to initiate a shareholder derivative action in a federal court of the United States.

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

Certain corporate governance practices in the Cayman Islands, which is our home country, differ significantly from requirements for companies incorporated in other jurisdictions such as the United States. If we choose to follow home country practice in the future, our shareholders may be afforded less protection than they otherwise would under rules and regulations applicable to U.S. domestic issuers.

As a result of all of the above, our 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.

***If we cannot satisfy, or continue to satisfy, the continued listing requirements and other rules of the Nasdaq Capital Market, our securities may be delisted, which could negatively impact the price of our securities and your ability to sell them.***

Our securities are listed on the Nasdaq Capital Market. We cannot assure you that our securities will continue to be listed on the Nasdaq Capital Market. In order to maintain our listing on the Nasdaq Capital Market, we are required to comply with certain rules, including those regarding minimum stockholders' equity, minimum share price, minimum market value of publicly held shares, and various additional requirements. Even if we initially meet the listing requirements and other applicable rules of the Nasdaq Capital Market, we may not be able to continue to satisfy these requirements and applicable rules. If we are unable to satisfy the criteria for maintaining our listing, our securities could be subject to delisting.

If our securities are subsequently delisted from trading, we could face significant consequences, including:

- a limited availability for market quotations for our securities;
- reduced liquidity with respect to our securities;
- a determination that our Ordinary Shares is a "penny stock," which will require brokers trading in our Ordinary Shares to adhere to more stringent rules and possibly result in a reduced level of trading activity in the secondary trading market for our Ordinary Shares;
- limited amount of news and analyst coverage; and
- a decreased ability to issue additional securities or obtain additional financing in the future.

***You may be unable to present proposals before annual general meetings or extraordinary general meetings not called by shareholders.***

Cayman Islands law provides shareholders with only limited rights to requisition a general meeting, and does not provide shareholders with any right to put any proposal before a general meeting. These rights, however, may be provided in a company's articles of association. Our articles of association allow our shareholders holding shares representing in aggregate not less than one-third (1/3) of our voting share capital in issue, to requisition a general meeting of our shareholders. Advance notice of at least seven clear days is required for any general meeting of our shareholders. A quorum required for a meeting of shareholders consists of at least one shareholder present or by proxy, representing not less than one-third of the total issued shares carrying the right to vote at a general meeting of the Company.

***The obligation to disclose information publicly may put us at a disadvantage to competitors that are private companies.***

We have become a public company in the United States. As a public company, we will be required to file periodic reports with the SEC upon the occurrence of matters that are material to our Company and shareholders. Although we may be able to attain confidential treatment of some of our developments, in some cases, we will need to disclose material agreements or results of financial operations that we would not be required to disclose if we were a private company. Our competitors may have access to this information, which would otherwise be confidential. This may give them advantages in competing with our Company. Similarly, as a U.S. public company, we will be governed by U.S. laws that our competitors, which are mostly private Chinese companies, are not required to follow. To the extent compliance with U.S. laws increases our expenses or decreases our competitiveness against such companies, our public company status could affect our results of operations.

## ITEM 4. INFORMATION ON THE COMPANY

### A. History and Development of the Company

We are an offshore holding company incorporated in the Cayman Islands and we are not a Chinese operating company. As a holding company with no material operations of our own, our operations are conducted in China through our wholly owned PRC subsidiary, Beijing Baosheng, and its subsidiaries. Holders of our Ordinary Shares will not directly hold any equity interests in our operating subsidiaries.

We initially conducted our business through Beijing Baosheng, a PRC company formed on October 17, 2014.

With the growth of our business, Horgos Baosheng was formed as a limited liability company in the PRC on August 30, 2016, and Kashi Baosheng was formed as a limited liability company in the PRC on May 15, 2018. Baosheng Technology was formed as a limited liability company in the PRC on January 2, 2020. As of the date of this annual report, Horgos Baosheng, Kashi Baosheng and Baosheng Technology are wholly owned and controlled by Beijing Baosheng.

Our Company completed its reorganization on June 4, 2019. In December 2018, our current holding company, Baosheng Media Group Holdings Limited was incorporated in the Cayman Islands, as an exempted company with limited liability. In December 2018, Baosheng BVI, a direct wholly owned subsidiary of our Company, was incorporated in the BVI as a business company with limited liability. Baosheng Hong Kong was incorporated in Hong Kong as a limited liability company in January 2019 and became a direct wholly owned subsidiary of Baosheng BVI and an indirect wholly owned subsidiary of our Company. In January 2019, Baosheng Hong Kong acquired 100% of the equity interests in Beijing Baosheng.

On March 22, 2021, Baosheng Hong Kong established a wholly-owned subsidiary, Baosheng Network, a limited liability company in the PRC. On April 2, 2022, Baosheng Network set up a wholly owned subsidiary, Beijing Xunhuo, a limited liability company in the PRC primarily engaged in the business of live streaming.

On February 8, 2021, our Ordinary Shares commenced trading on the Nasdaq Capital Market under the symbol “BAOS.” On March 3, 2021, the underwriters of our initial public offering exercised in full the over-allotment option. We raised approximately US\$30.2 million in net proceeds from our initial public offering after deducting underwriting commissions and the offering expenses payable by us.

Our principal executive office is located at Floor 15, Yonghe East Building B, No.28 Andingmen East Avenue, Dongcheng District, Beijing, People’s Republic of China. Our telephone number at this address is +86-13488886502. Our registered office in the Cayman Islands is located at Harneys Fiduciary (Cayman) Limited, 4th Floor, Harbour Place, 103 South Church Street, P.O. Box 10240, Grand Cayman KY1-1002, Cayman Islands. Our agent for service of process in the United States is Puglisi & Associates located at 850 Library Avenue, Suite 204, Newark, DE 19711. Investors should submit any inquiries to the address and telephone number of our principal executive offices set forth above. We maintain a corporate website at <http://ir.bsacme.com>. The information contained in our website is not a part of this annual report.

The SEC maintains a website at [www.sec.gov](http://www.sec.gov) that contains reports, proxy and information statements, and other information regarding issuers that file electronically with the SEC using its EDGAR system.

See “Item 5. Operating and Financial Review and Prospects—B. Liquidity and Capital Resources—Capital Expenditures” for a discussion of our capital expenditures.

We are subject to certain legal and operational risks associated with our subsidiaries' operations in China, which could cause the value of our Ordinary Shares to significantly decline or be worthless and could lead to our Ordinary Shares being unable to continue listing on a foreign exchange. PRC laws and regulations governing our current business operations are sometimes vague and uncertain, and therefore, they may impose risks that could result in material changes in our subsidiaries' operations, significant depreciation of the value of our Ordinary Shares, or a complete hindrance of our ability to offer, or continue to offer, our securities to investors. Recently, the PRC government initiated a series of regulatory actions and statements to regulate business operations in China with little advance notice, including cracking down on illegal activities in the securities market, enhancing supervision over China-based companies listed overseas using variable interest entity structures, adopting new measures to extend the scope of cybersecurity reviews, and expanding the efforts in anti-monopoly enforcement. As confirmed by our PRC counsel, Beijing Dacheng, we are not subject to cybersecurity review with the CAC if the draft Measures for Cybersecurity Censorship become effective as they are published, because our customers are mainly enterprises in China and we currently do not have over one million users' personal information and do not anticipate that we will be collecting over one million users' personal information in the foreseeable future, which we understand might otherwise subject us to the draft Measures for Cybersecurity Censorship. Since these statements and regulatory actions are new, however, it is highly uncertain how soon legislative or administrative regulation making bodies will respond and what existing or new laws or regulations or detailed implementations and interpretations will be modified or promulgated, if any, and the potential impact such modified or new laws and regulations will have on our daily business operation, our ability to accept foreign investments, or our ability to continue to be listed on the Nasdaq Stock Market. See "Item 3. Key Information—D. Risk Factors—Risks Related to Doing Business in China—*Recent greater oversight by the CAC over data security, particularly for companies seeking to list on a foreign exchange, could adversely impact our business and our offering.*"

Pursuant to the HFCAA, the PCAOB issued a Determination Report on December 16, 2021 which found that the PCAOB is unable to inspect or investigate completely registered public accounting firms headquartered in: (1) mainland China of the People's Republic of China because of a position taken by one or more authorities in mainland China; and (2) Hong Kong, a Special Administrative Region and dependency of the PRC, because of a position taken by one or more authorities in Hong Kong. In addition, the PCAOB's report identified the specific registered public accounting firms which are subject to these determinations. Our auditor, Friedman LLP, the independent registered public accounting firm that issues the audit report included 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 Friedman LLP's compliance with applicable professional standards. Friedman LLP is headquartered in Manhattan, New York with no branches or offices outside the United States and has been inspected by the PCAOB on a regular basis, with the last inspection in June 2018. Therefore, we believe that, as of the date of this annual report, our auditor is not subject to the determinations announced by the PCAOB on December 16, 2021 relating to the PCAOB's inability to inspect or investigate completely registered public accounting firms headquartered in mainland China of the PRC or Hong Kong because of a position taken by one or more authorities in the PRC or Hong Kong. See "Item 3. Key Information—D. Risk Factor—Risks Related to Doing Business in China—*Recent joint statement by the SEC and the PCAOB proposed rule changes submitted by Nasdaq, and the Holding Foreign Companies Accountable Act all call for additional and more stringent criteria to be applied to emerging market companies upon assessing the qualification of their auditors, especially the non-U.S. auditors who are not inspected by the PCAOB. These developments could add uncertainties to our offering.*" and "Item 3. Key Information—D. Risk Factor—Risks Related to our Ordinary Shares—*If we cannot satisfy, or continue to satisfy, the continued listing requirements and other rules of the Nasdaq Capital Market, our securities may be delisted, which could negatively impact the price of our securities and your ability to sell them.*"

### **Permission Required from PRC Authorities**

We are currently not required to obtain permission from any of the PRC authorities to operate and issue our Ordinary Shares to foreign investors. In addition, we and our subsidiaries are not required to obtain permission or approval relating to our Ordinary Shares from the PRC authorities, including the CSRC and the CAC, for our subsidiaries' operations, nor have we or our subsidiaries received any denial of any permission for our subsidiaries' operations. Recently, however, the General Office of the Central Committee of the Communist Party of China and the General Office of the State Council jointly issued the Opinions, which were made available to the public on July 6, 2021. The Opinions emphasized the need to strengthen the administration over illegal securities activities and the supervision over overseas listings by Chinese companies. The Opinions proposed to take effective measures, such as promoting the construction of relevant regulatory systems, to deal with the risks and incidents facing China-based overseas-listed companies and the demand for cybersecurity and data privacy protection. The aforementioned policies and any related implementation rules to be enacted, which may take place quickly with little advance notice, may subject us to additional compliance requirements in the future. Given the current regulatory environment in the PRC, we remain subject to the uncertainty as to whether different interpretations and enforcement of the rules and regulations in the PRC may have an adverse impact on us and our operations. See "Item 3. Key Information—D. Risk Factors—Risks Related to Doing Business in China—The Opinions on Severely Cracking Down on Illegal Securities Activities According to Law recently issued by the General Office of the Central Committee of the Communist Party of China and the General Office of the State Council may subject us to additional compliance requirement in the future."

### **Dividends and other distributions**

We are a holding company, and we may rely on dividends and other distributions on equity paid by our PRC subsidiaries for our cash and financing requirements, including the furnishing of funds necessary to pay dividends and other cash distributions to our shareholders or to service any debt we may incur. If any of our PRC subsidiaries incurs debt on its own behalf in the future, the instruments governing such debt may restrict their ability to pay dividends to us. There have not been any such dividends or other distributions from our PRC subsidiaries to our subsidiaries located outside of China, as of the date of this annual report. In addition, as of the date of this annual report, none of our subsidiaries have ever issued any dividends or distributions to us or their respective shareholders outside of China, and neither we nor any of our subsidiaries have ever paid dividends or made distributions to U.S. investors. As of the date of this annual report, neither we nor any of our subsidiaries have ever paid dividends or made distributions to U.S. investors. Our Hong Kong holding subsidiary, Baosheng HK received cash of \$38.3 million from us, which represented proceeds raised in the initial public offering of our Ordinary Shares in February 2021, and the private placement of our Ordinary Shares and warrants in March 2021. In addition to the forgoing, on March 16, 2021, Baosheng HK transferred cash of \$6 million, in the form of shareholder loans, to its wholly owned subsidiary, Beijing Baosheng. In April 2021 and August 2021, Baosheng HK transferred cash in the aggregate of \$30.79 million, in the form of capital contributions, to its wholly owned subsidiary, Baosheng Network. In the future, cash proceeds raised from overseas financing activities may be transferred by us to our PRC subsidiaries by means of capital contributions or shareholder loans, as the case may be. Notwithstanding the recent judgment against Beijing Baosheng, described more particularly under "Item 4. Information on the Company—B. Business Overview — Legal Proceedings," we do not expect that the court's ruling will impact the cash transferring through the organization.

According to the Foreign Investment Law of the People's Republic of China and its implementing rules, which jointly established the legal framework for the administration of foreign-invested companies, a foreign investor may, in accordance with other applicable laws, freely transfer into or out of China its contributions, profits, capital earnings, income from asset disposal, intellectual property rights, royalties acquired, compensation or indemnity legally obtained, and income from liquidation, made or derived within the territory of China in RMB or any foreign currency, and any entity or individual shall not illegally restrict such transfer in terms of the currency, amount and frequency. According to the Company Law of the People's Republic of China and other Chinese laws and regulations, our PRC subsidiaries may pay dividends only out of their respective accumulated profits as 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 after-tax profits, if any, each year to fund a certain statutory reserve fund, until the aggregate amount of such fund reaches 50% of its registered capital. Where the statutory reserve fund is insufficient to cover any loss the PRC subsidiary incurred in the previous financial year, its current financial year's accumulated after-tax profits shall first be used to cover the loss before any statutory reserve fund is drawn therefrom. Such statutory reserve funds and the accumulated after-tax profits that are used for covering the loss cannot be distributed to us as dividends. At their discretion, our PRC subsidiaries may allocate a portion of their after-tax profits based on Chinese accounting standards to a discretionary reserve fund.

Renminbi is not freely convertible into other currencies. As a result, any restriction on currency exchange may limit the ability of our PRC operating subsidiaries to use their potential future Renminbi revenues to pay dividends to us. The Chinese government imposes controls on the convertibility of Renminbi into foreign currencies and, in certain cases, the remittance of currency out of China. Shortages in availability of foreign currency may then restrict the ability of our PRC subsidiaries to remit sufficient foreign currency to our offshore entities for our offshore entities to pay dividends or make other payments or otherwise to satisfy our foreign-currency-denominated obligations. The Renminbi is currently convertible under the “current account,” which includes dividends, trade and service-related foreign exchange transactions, but not under the “capital account,” which includes foreign direct investment and foreign currency debt, including loans we may secure for our onshore subsidiaries. Currently, our PRC subsidiaries may purchase foreign currency for settlement of “current account transactions,” including payment of dividends to us, without the approval of SAFE by complying with certain procedural requirements. However, the relevant Chinese governmental authorities may limit or eliminate our ability to purchase foreign currencies in the future for current account transactions. The Chinese government may continue to strengthen its capital controls, and additional restrictions and substantial vetting processes may be instituted by SAFE for cross-border transactions falling under both the current account and the capital account. Any existing and future restrictions on currency exchange may limit our ability to utilize revenue generated in Renminbi to pay dividends in foreign currencies to holders of our securities. Foreign exchange transactions under the capital account remain subject to limitations and require approvals from, or registration with, SAFE and other relevant Chinese governmental authorities. This could affect our ability to obtain foreign currency through debt or equity financing for our subsidiaries. See “Item 3. Key Information—D. Risk Factors—Risks Related to Doing Business in China—We may rely on dividends paid by our subsidiaries for our cash needs, and any limitation on the ability of our subsidiaries to make payments to us could have a material adverse effect on our ability to conduct business.” for a detailed discussion of the Chinese legal restrictions on the payment of dividends and our ability to transfer cash within our group. In addition, holders of our Ordinary Shares may potentially be subject to Chinese taxes on dividends paid by us in the event we are deemed a Chinese resident enterprise for Chinese tax purposes. See “Item 10. Additional Information—E. Taxation—People’s Republic of China Taxation” for more details.

## **B. Business Overview**

We are an online marketing solution provider based in China. We are dedicated to helping our advertiser clients manage their online marketing activities with a view to achieving their business goals. We advise advertisers on online marketing strategies, offer value-added advertising optimization services and facilitate the deployment of online ads of various forms such as search ads, in-feed ads, mobile app ads and social media marketing ads. At the same time, as the authorized agency of some popular online media, such as sm.cn (神马), UC browsers (UC浏览器), and Today’s Headline (今日头条), we help online media procure advertisers to buy their ad inventory and facilitate ad deployment on their advertising channels.

Relying on our management’s extensive industry experience, deep industry insights and well-established network of media resources, we have grown rapidly from a start-up online marketing agency founded in 2014 to a multi-channel online marketing solution provider.

We help advertisers formulate their online advertising strategies, optimize their ads and run their ads on suitable online advertising channels with a view to achieving their business goals. We have built a broad and diverse advertiser base across various industries, including ecommerce and online service platforms, online travel agencies, financial services, online gaming, car services and other advertising agencies. We believe our ability to attract and retain these advertisers reflects the high level of our services, which is essential to our business growth.

*Our business value chain.* As an online advertising service provider, we regard our business values as revolving around our ability to serve the needs of two major business stakeholders: (i) advertisers; and (ii) media (or their authorized agencies).

- **Value to advertisers:** As an online marketing service provider, we connect advertisers and online media, helping advertisers to manage their online marketing activities in many ways, including, but not limited to, (i) advising on advertising strategies, budget and choice of advertising channels; (ii) procuring ad inventory; (iii) offering ad optimization services; and (iv) administering and fine-tuning the ad placement process.
- **Value to media:** As an authorized agency of media, we create value to media businesses in several ways, including, but not limited to, (i) identifying advertisers to buy their ad inventory, (ii) facilitating payment arrangements with advertisers, (iii) assisting advertisers in handling ad deployment logistics with media, and (iv) engaging in other marketing and promotion activities aimed at educating and inducing advertisers to use online advertising.

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*Our advertising services.* We offer two types of advertising services, SEM services, and Non-SEM services. Our SEM services include the deployment of ranked search ads and other display search ads offered by search engine operators. Our Non-SEM services, on the other hand, include social media marketing, in-feed advertising, and mobile app advertising through deploying ads on media such as social media platforms, short-video platforms, news portals and mobile apps. The display forms of our Non-SEM ads include in-feed ads, banner ads, button ads, interstitial ads, and posts on selected social media accounts.

Set forth below is a summary of the relevant ad formats, the corresponding pricing models generally adopted by media and our revenue model:

Type	Description	Media's principal pricing model	Our principal revenue model
<i>SEM Services</i>			
Search ads	Search ads are normally located at the top, or on the side of the search results page, or the related products of the search engine operators.	<u>Auction-based ads</u> : mainly CPC  <u>Non-auction-based ads</u> : mainly CPT	Rebates and incentives
<i>Non-SEM services</i>			
In-feed ads	In-feed ads are advertisements that match the format, appearance and function of the platform upon which they appear, typically placed on short video sharing, social media and newsfeed platforms.	Mainly CPM, CPC	Rebates and incentives
Mobile app ads	Mobile app ads are displayed in apps with various formats such as banner ads, button ads, open screen ads, and interstitial ads.	Mainly CPT, CPA	Net fees; rebates and incentives
Social media ads	Social media ads take the form of contents appearing in the designated blogs or social media accounts with suitable target audience.	Mainly CPT	Net fees

We have successfully implemented our business model, and our business experienced substantial growth from our inception to December 31, 2020, before we experienced negative growth in 2021. Our gross billing decreased from \$202.7 million in 2019 to \$134.9 million in 2020, representing a decrease of 33.5%, and decreased to \$54.7 million in 2021, representing a decrease of 59.4%. In the meantime, the media costs have decreased from \$184.9 million in 2019 to \$123.0 million in 2020 and decreased to \$50.8 million in 2021, representing a decrease of 33.5% and a decrease of 58.7%, respectively. Our revenue on a net basis (i.e. difference between gross billing and media costs) has decreased, in tandem with the growth of our advertiser base and their advertising spend, from \$17.8 million in 2019 to \$11.9 million in 2020, and decreased further to \$3.9 million in 2021, representing a decrease of 33.3% and a decrease of 67.2%, respectively.

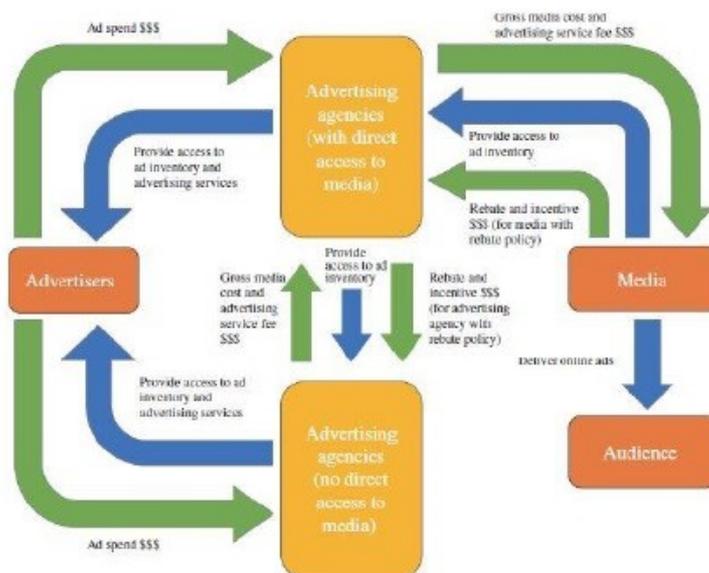
## **Our Business Model**

### ***Business value chain***

As an online advertising service provider, we regard our business values as revolving around our ability to serve the needs of two major business stakeholders: (i) advertisers; and (ii) media (or their authorized agencies).

- **Value to advertisers:** Advertising is driven by advertisers' need to reach their target customers to create demand for their products and services, build their brands, gain market shares, boost sales and enhance profitability. As an online marketing service provider, we act as intermediary between advertisers and online media, helping advertisers to manage their online marketing activities in many ways, including, but not limited to, (i) advising on advertising strategies, budget and choice of advertising channels; (ii) procurement of ad inventory; (iii) offering ad optimization services; and (iv) administrating and fine-tuning the ad placement process. We consider that our values to advertisers mainly lie in our ability to help them carry out effective online marketing activities economically. In particular, we can offer our advertisers various types of ad inventory, such as search ads, in-feed ads on various social media and media platforms, and mobile app ads, as well as various optimization services specific to such ad formats.
- **Value to media:** Media serve as the medium through which advertisers' marketing messages are conveyed to their target audience, and monetize their media resources mainly by offering ad inventory for sales to advertisers. Under the current online advertising ecosystem, established media acquire advertisers primarily through their networks of authorized agencies. We, as an authorized agency, create values to media's business in many ways, including but not limited to, (i) identifying advertisers to buy their ad inventory, (ii) facilitating payment arrangements with advertisers, (iii) assisting advertisers in handling ad deployment logistics with media, and (iv) engaging in other marketing and promotion activities aimed at educating and inducing advertisers to use online advertising. The use of the authorized agency model enables media to leverage their authorized agencies' connections to extend their reach to a large base of advertisers, and expand their business scale quickly without inflating their sales and marketing costs. To become the authorized agency of a media, we are typically subject to two to three rounds of evaluation by the media, during which the media takes into account factors including, but not limited to, the history of our Company, the size of our Company, our achievements, our service offerings, the advertisers we cooperate with, the history of our revenue, and the expertise of our employees.

The following is a simplified graphical illustration of our business value chain and the interrelationships among advertisers, media and advertising agencies:



As illustrated in the chart above, in cases where we have direct access to media’s ad inventory, for instance as their authorized agency, we acquire ad inventory directly from the relevant media for our advertisers, which include both (i) direct advertisers; and (ii) third party advertising agencies which do not have direct access to the relevant ad inventory and wish to place ads for their advertisers through us. Meanwhile, we may receive rebate and incentives from the media for selling their ad inventory.

When we do not have direct access to certain media’s ad inventory, we can acquire such ad inventory for our advertisers from other third-party advertising agencies which have direct access, for instance, advertising agencies which are authorized agencies of certain media. Again, we may receive rebate and incentives from such advertising agencies for procuring buyer to acquire ad inventory through them.

Based on the above business value chain, we generate revenue typically (i) in the form of rebates and incentives we earn from media (or their authorized agencies) for procuring advertisers to place ads with them, or (ii) in the form of net fees we earn from advertisers when we purchase ad inventory on their behalf and provide advertising services to them.

Accordingly, both advertisers or media (or their authorized agencies) can be identified as our customers, depending on the revenue model applicable to the relevant services we provide. See “— Revenue model and payment cycle” in this section for further details.

**Advertisers**

Through our PRC subsidiaries, we have built a broad and diverse advertiser base from a broad range of industries, including ecommerce and online service platforms, online travel agencies, financial services, online gaming, car services, and advertising agencies, among others.

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Certain of our advertisers carry well-known brands, such as C-trip (携程), Bilibili (B站), Wedding Expo (婚博会), 515J Realty (我爱我家), T3Go (南京领行), Snack Video (达佳互联), Kaikeba (开课吧) and i-9game (爱九游). We believe our ability to attract and retain them is testament to our service capability and critical to our business growth. During the fiscal years 2021, 2020 and 2019, the number of advertisers we served decreased slightly from 438 in 2019 to 410 in 2020, and increased to 462 in 2021. Our gross billing decreased from \$202.7 million in 2019 to \$134.9 million in 2020, and decreased further to \$54.7 million in 2021. Our top five advertisers contributed to 44.8%, 47.5% and 37.7% of our total gross billing in the fiscal years 2021, 2020 and 2019, respectively.

The table below sets out the breakdown of our gross billing by industries of our advertisers:

	Gross billing for the years ended December 31,					
	2021		2020		2019	
	Amount	%	Amount	%	Amount	%
E-commerce & online service platforms	\$ 19,085,684	34.8 %	\$ 24,317,322	18 %	\$ 48,395,933	24 %
Online education	11,034,006	20.2 %	–	0 %	–	0 %
Online travel agencies	5,524,212	10.1 %	4,247,662	3 %	7,778,185	4 %
Financial services	1,019,921	1.9 %	1,355,688	1 %	1,980,759	1 %
Online gaming	12,438,353	22.7 %	33,602,440	25 %	50,856,212	25 %
Car services	609,995	1.1 %	946,739	1 %	3,140,706	2 %
Third-party advertising agencies	4,929,690	9.0 %	64,602,520	48 %	86,127,396	42 %
Others	90,671	0.2 %	5,811,805	4 %	4,448,883	2 %
Total	<u>\$ 54,732,532</u>	<u>100 %</u>	<u>\$ 134,884,176</u>	<u>100 %</u>	<u>\$ 202,728,074</u>	<u>100 %</u>

### Our Media

We have established and maintained collaborative relationships (either directly or through their authorized agencies) with a wide range of media such as search engines, short-video platforms, social media platforms, as well as agencies of KOLs, which enable us to offer our advertisers a diverse choices of ad formats, including search ads, in-feed ads (i.e. ads that match the format, appearance and function of the media format in which they appear), mobile app ads and social media ads on an array of advertising channels.

We act as the authorized agency for a number of media during the fiscal years 2021, 2020 and 2019, and will endeavor to secure new authorized agency status with media in the future. With our authorized agency status, we can offer our advertisers with direct access for placements of ads.

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Set forth below is a summary of the media for which we have secured authorized agency status during the fiscal years 2021, 2020 and 2019 and up to the date of this annual report, and which we consider to be significant to our business operations:

Media	Description of media	Ad inventory covered by our authorized agency status	Effective period of authorized agency status
Beijing Sogou Information Services Co., Ltd. (北京搜狗信息服务有限公司)	Operator of Sogou (搜狗), the second most used search engine in China in 2019	Various forms of search ads offered by Sogou	From January 2016 to March 2021
Guangzhou Juyao Information Technology Co. Ltd. (广州聚耀信息科技有限公司) ("Guangzhou Juyao")	Operator of an intelligent marketing platform owned by one of the leading internet technology conglomerates in China	Included search ads offered through sm.cn (神马) search engine and in-feed ads offered through various channels such as UC browsers (UC浏览器), UC Headline (UC头条), Youku (优酷) <sup>(Note)</sup> PP mobile assistant apps (PP手机助手) and SnapPea (豌豆荚).	From January 2017 to December 2022
Beijing Kuaishou Advertising Co. Ltd. (北京快手广告有限公司)	Operator of Kuaishou (快手), one of the most popular short-video sharing platform in China	In-feed video ads on Kuaishou (快手) app	August 2018 to December 2018
Xiaokaxiu (Jiangsu) Technology Co., Ltd. (小咖秀(江苏)科技有限公司)	Operator of video platforms of Yixia.com (一下科技)	In-feed ads on various video platforms such as BoBo Video (波波视频)	May to December 2018, April 2019 to December 2019
Hubei Today's Headline Technology Co., Ltd. (湖北今日头条科技有限公司)	Operator of one of the leading news portal apps and short-video apps in China	In-feed ads on various content distribution channels, including one of the most popular news portals and short-video apps in China.	January 2019 to December 2020,  January 2021 to December 2022
Hainan Toujiao Information Technology Co., Ltd. (海南头条角信息科技有限公司)	Operator of video platform of Shuabao (刷宝), a popular short-video sharing platform in China	In-feed ads on Shuabao (刷宝) app	February 2020 to December 2020

Note: We acquired access to the ad inventory offered by Youku (优酷), a video hosting service provider, in September 2018 as authorized agency of a media company which is under the same conglomerate as with Guangzhou Juyao. Subsequently the ad inventory under Youku become available to us under our authorized agency arrangement with Guangzhou Juyao since April 2019.

To the best of our understanding and based on our experience, certain media may require their authorized agencies to place deposits as payment security and/or to signify the authorized agencies' commitment in procuring certain minimum amount of ad inventory purchases and/or advertising spend for their advertisers. We determine the amount of deposits and the term of deposits based on the contractual terms with relevant media. These media typically require deposits in the amount of 5% to 10% of the minimum amount of ad inventory purchases and/or advertising spend, which will be refunded to us upon the expiration of the agreement if ad purchases and/or advertising spend our advertisers place with such media reach the minimum requirement. In our agreements with the advertisers seeking to purchase ad inventory from these media, we require the advertisers to pay deposits in the same amount required to be paid to the media, which will be refunded to the advertisers if the minimum requirement for ad inventory purchase and/or advertising spend is fulfilled. From time to time we may pay such deposits on behalf of our advertisers for our own as well as our advertisers' ease of administrative management. In such cases, depending on the background of such advertisers and our relationship with them, we may or may not require our advertisers to place deposits to us on a back-to-back basis. We determine whether to pay deposits on behalf of an advertiser based on several factors including, but not limited to, the advertiser's credit history, reputation in the industry, and the amount of ad inventory the advertiser purchases through the current order or has purchased in the past. We pay deposits on behalf of roughly 10% of our advertisers, and the amount of such deposits are about 25% of total deposits to be paid to media.

When we contemplate a potential partnership as an authorized agency of a media, we generally take into consideration various factors, including but not limited to:

- (i) the types of online media with potential to attract more user traffic in the future;

- (ii) the competitiveness of the advertising market of the media concerned;
- (iii) the market position and growth potential of the media;
- (iv) the sufficiency of the support which the media can offer to its advertising agencies; and
- (v) the commercial terms, in particular the rebate policy, offered by the media and their requirements for deposits.

#### ***Overlapping of our advertisers and media (or their authorized agencies)***

As an industry practice, some ad inventory is only available through the relevant media's authorized agencies a result of the media's own policies or practices. Thus, advertising agencies may tap into the marketing channels possessed by other advertising agencies to gain access to a wider array of online media.

In our ordinary course of business, we may procure ad inventory on behalf of our advertisers from, and facilitate sales of ad inventory of media which we have authorized agency relationship with to, the same company in the following circumstances:

- (i) An advertising agency procure ad inventory (of a media to which we have direct access and they do not) from us for itself or its advertisers, whereas we source from the same advertising agency on behalf of our advertisers for ad inventory (of a media to which they have direct access and we do not); and
- (ii) We procure ad inventory from a media (such as operators of social media, video-sharing or gaming platforms) for our advertisers, whereas the same media acquires ad inventory of other media through us to market its own services and products.

As a result of the foregoing, we had 2, 6 and 9 overlapping advertisers and media (which were mostly third-party advertising agencies) that we both procured ad inventory from and facilitated sales of ad inventory to in the fiscal years 2021, 2020 and 2019, respectively. The table below summarizes the aggregate gross billing and media cost attributable to such overlapping advertisers and media (or their authorized agencies) in the fiscal years 2021, 2020 and 2019.

	For the years ended December 31,					
	2021		2020		2019	
	Amount	%	Amount	%	Amount	%
Gross billing (as our advertisers)	\$ 186,042	0.3 %	\$ 7,604,663	5.6 %	\$ 11,733,553	5.8 %
Media costs (as our media or media agency)	\$ 29,787,671	58.6 %	\$ 644,258	0.5 %	\$ 1,771,186	1.0 %

Our procurement of ad inventories from these overlapping advertisers and media (or their authorized agencies) and our procurement of advertisers to purchase ad inventories from these overlapping advertisers and media (or their authorized agencies) were neither inter-connected nor inter-conditional with each other, and were negotiated and conducted independently with each other in the ordinary course of business under normal commercial terms and on an arm's length basis.

#### **Revenue Model and Payment Cycle**

Our revenue is comprised primarily of (a) rebates and incentives offered by media (or their authorized agencies); and (b) net fees earned from advertisers. We determine the type of our revenue based on the contractual terms with relevant advertisers and media (or their authorized agents) and the nature of the business transactions, and we recognize the corresponding revenue when the related services are delivered. In business transactions where we receive rebates and incentives from media (or their authorized agencies), we are rewarded for assuming the role as sales agents of media (with which we have authorized agency arrangements) or other third-party advertising agencies (which are in turn authorized agencies of the relevant media), and these rebates and incentives are recognized as revenue for our provision of such sales agency services. Conversely, in cases where we procure advertising services or ad inventory from media (or other advertising/KOL agents and service providers) on behalf of our advertisers, we are rewarded for the arrangements of advertising services on behalf of our advertisers (but not as principal to the arrangements) such as sourcing and procuring ad inventory and executing ad placements, and we report our revenue earned and costs incurred in these transactions on a net basis as net fees from advertisers.

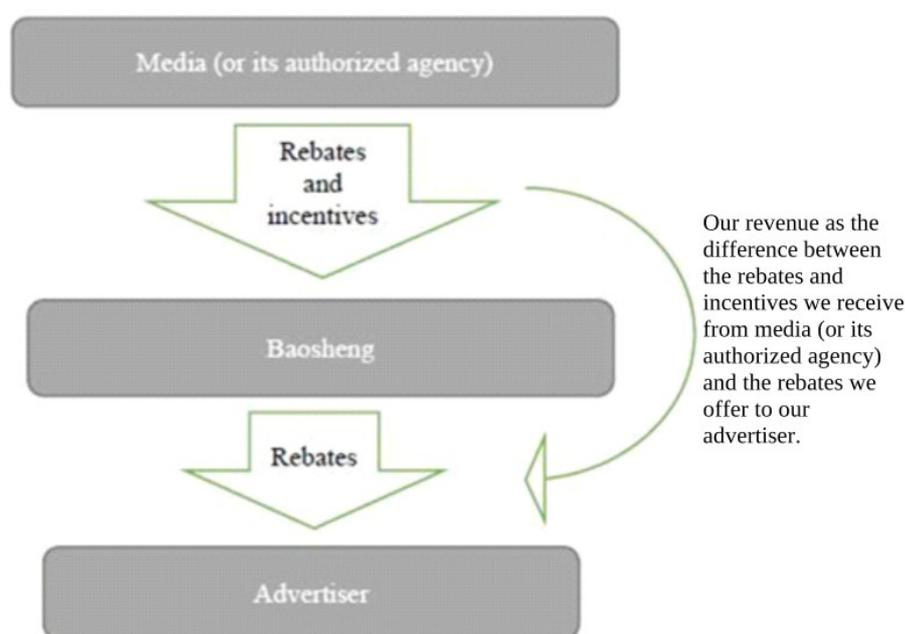
The following table sets forth a breakdown of our revenues during the fiscal years 2021, 2020 and 2019 by revenue model:

	For the years ended December 31,					
	2021		2020		2019	
	Amount	%	Amount	%	Amount	%
Rebates and incentives earned from publishers	\$ 3,663,168	93.6 %	\$ 9,430,758	79.2 %	\$ 15,953,148	89.4 %
Net fees earned from advertisers	248,392	6.4 %	2,480,471	20.8 %	1,893,752	10.6 %
<b>Total</b>	<b>\$ 3,911,560</b>	<b>100.0 %</b>	<b>\$ 11,911,229</b>	<b>100.0 %</b>	<b>\$ 17,846,900</b>	<b>100.0 %</b>

**Rebates and incentives from publishers**

In the arrangements with certain media or their authorized agencies, we typically receive rebates and incentives for procuring advertisers to acquire the relevant media’s ad inventory, and we recognize these media (or their authorized agencies) as our customers. On the other hand, to encourage advertisers to subscribe our services and acquire their desired ad inventories through us, we may also offer rebates to our advertisers for their acquisition of ad inventory and/or incurrence of advertising spend. Our revenue is recognized as the rebates and incentives we receive from media (or their authorized agencies) net of any rebates we offer to our advertisers. This revenue model is more commonly applicable in connection with our provision of SEM services and certain in-feed ad services, with major media including search engines, social media platforms and newsfeed platforms.

The following is a simplified illustration of our rebates and incentives revenue model:



**Rebates and incentives offered by media (or their authorized agencies)**

The rebates and incentives we earn from media (or their authorized agencies) come with a variety of structures and rates, which are primarily determined based on the contract terms with these media (or their authorized agencies) and their applicable rebate policies. Occasionally, media may also offer additional discretionary incentives to encourage their authorized agencies to achieve certain benchmarks according to the media’s then sales and marketing goals.

Set forth below are some of the more typical structures of rebates and incentives that media (or their authorized agencies) offered to us during the fiscal years 2021, 2020 and 2019:

- Across-the-board standard-rate rebates based on the amount of ad currency units\* acquired or actual advertising spend;
- Differential standard-rate rebates based on the amount of ad currency units acquired or actual advertising spend and certain prescribed classifications (e.g., industry of advertisers, new or existing advertisers, types of ad inventory);
- Rebates and incentives on a scale of progressive rates based on accumulated ad currency units acquired or accumulated advertising spend; and
- Rebates and incentives on progressive or differential rates based on certain prescribed measuring benchmarks (e.g., the number of new advertisers secured, accumulated ad currency units acquired or actual advertising spend from advertisers of a particular industry, growth in ad currency units acquired or actual advertising spend).

*Note:* “Ad currency units” are effectively a kind of virtual currency that needs to be purchased from relevant media for use in acquiring their ad inventory. See “— Our services and operational flow — Campaign launch and performance review” for further details.

The rates offered to us by media (or their authorized agencies) are based on the contractual terms and typically range from 5% to 20%.

These rebates and incentives may (i) take the form of cash which, when paid, are typically applied to set off our accounts payable with the relevant media or their authorized agency; or (ii) in the form of ad currency units which will be deposited in the account we maintained in the back-end platform of the media, and can then be utilized to fulfill our advertisers’ orders for purchases of ad currency units, or as our rebates offered to our advertisers. These rebates and incentives are generally ascertained and settled on a quarterly or annual basis.

#### *Rebates offered by us to advertisers*

We may offer rebates to our advertisers in the form of ad currency units, or cash discounts which can be used to offset future payments with us.

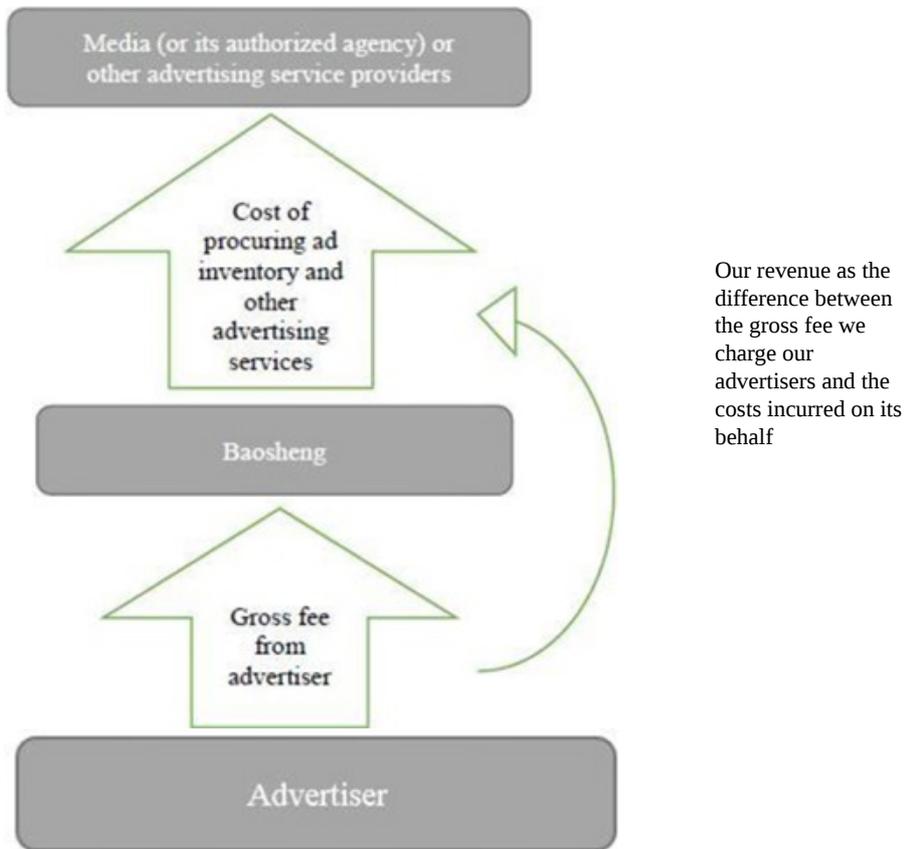
The rates of rebates we offer to our advertisers are determined by us on a case by case basis, generally with reference to the rebates and incentives we obtain from the relevant media (or its authorized agency), an advertiser’s committed total spend, and our business relationships with such advertiser.

#### *Net fees from advertisers*

Under our net fees revenue model, we are rewarded for our services provided to advertisers, which typically include, among other things, sourcing and procurement of ad inventory and advertising services on behalf of our advertisers with costs incurred in connection thereto. Under this revenue model, since we are not the principal in these arrangements, we report our revenue earned and costs incurred in these transactions on a net basis as net fees from advertisers and we recognize our advertisers as our customers.

This revenue model is more commonly applicable in connection with our provision of mobile app ad services and social media marketing services. We determine the gross fees we charge our advertisers on a client-by-client and campaign-by-campaign basis primarily based on the corresponding media and other advertising service costs and our targeted fee margin.

The following is a simplified illustration of our net fees revenue model:



**Payment Cycle**

As described in “— Our services and operational flow” in this section below, we typically effect payments to media (or their authorized agencies and other advertising service providers) on behalf of our advertisers. We issue billing to our advertisers for our gross fees and/or payments we make on their behalf, and receive billing from media (or their authorized agencies and other advertising service providers) for acquisition of their advertising services and ad inventory. In this regard, the payment cycle of our business typically involves receivables and settlements from advertisers for our gross fees and/or the amounts we pay on their behalf, and payables and settlements with media (or their authorized agencies and other advertising service providers) for acquisition of their advertising services and ad inventory.

The following table sets out a general summary of our receipts and pay-outs with our advertisers and media, our two major stakeholders:

	<b>Media (or their authorized agencies) or other service providers</b>	<b>Advertisers</b>
<i>Receipts</i>	Rebates and incentives receivable by us from the media (or their authorized agencies)	Amounts receivable by us from advertisers for acquiring ad inventory and advertising services on their behalf
<i>Pay-outs</i>	Amounts payable by us for acquiring ad inventory and advertising services from media or other advertising service providers on behalf of our advertisers	Rebates payable by us to advertisers (or their advertising agencies)

For our SEM services, we are generally granted credit periods of up to 90 days by media (or their authorized agencies) for settlement of payments on acquisition of ad inventory on behalf of our advertisers. For our non-SEM services, given the variety of types and nature of media and service providers involved, credit terms granted to us by these media (or other advertising service providers) for settlement of payments on acquisition of advertising services and ad inventory are more diverse, which may range from prepayments to 180 days. For our non-SEM services, the most common credit terms granted to us by media for our in-feed ad services are 180 days, and media for our mobile app ad services and social media ad services typically require prepayments.

On the other hand, we may grant credit terms of up to 180 days to our advertisers in settlement of our billing to them (i.e., payments made on their behalf for acquisition of ad currency units, ad inventory and other advertising services). When considering whether credit terms are to be granted to our advertisers and the duration of credit terms to be granted, we generally take into account a variety of factors, including, but not limited to, the scale and profile of our advertisers' businesses, their length of business relationships with us, the media of their choices, their budgeted or committed total advertising spend, their financial conditions, their past legal proceedings, their reputation in the industry, and their historical settlement records. For advertisers with new or relatively short business history with us, we may require prepayments or deposits from our advertisers.

It should be noted that the above credit periods are primarily applicable to payments we make on behalf of our advertisers to media (or their authorized agencies and other service providers) for acquisition of their advertising services and ad inventory. In respect of our revenue, the specific credit terms for rebates and incentives from media (or their authorized agencies) are subject to the terms in our written contracts with them, and they are typically settled either by direct set-off of our accounts payable with them (in case of cash rebates and incentives) or through deposits of ad currency units into our accounts maintained with them (in case of in-kind rebates and incentives). Depending on the media, rebates and incentives we receive from media are settled on a quarterly or a yearly basis and at the beginning of the following quarter or following year. For revenue in the form of net fees, given that they represent the difference between the gross fees we charge our advertisers and the media costs incurred on their behalves, credit terms would correspond to our payments made to media (and other advertising/KOL agencies and service providers) and payments received from advertisers as described in the preceding paragraphs.

The following table illustrates the major composition of our accounts receivable and accounts payable generally corresponding to our business:

	<i>Counter-party</i>	<i>Nature or Origin</i>
<b>Accounts receivable</b>	Advertisers	Gross billing charged to advertisers for acquisition of advertising services and ad inventory on their behalf
<b>Accounts payable</b>	Media (or their authorized agencies) and other advertising services providers	Amounts owed to media (or their authorized agencies) or other advertising service providers for acquisition of ad inventory and other advertising services on behalf of our advertisers

**Our Services and Operational Flow**

***Ad formats for which we offer our advertising services***

We offer online advertising services for ads typically in the forms of search ads, in-feed ads, mobile app ads, and social media ads.

Search ads

Search engine marketing (SEM) is a form of internet marketing that involves the promotion of the advertisers' products or services by increasing the visibility of their ads on the search result pages or the derivative products of search engine operators, typically triggered by a keyword searching action initiated by the user of the search engine.

Generally, search ads may take the form of (i) ranked search ads, which are typically ads displayed among the search results triggered by and directly relevant to a user's keyword searches, and are typically bought through an auction-based model; or (ii) display search ads that appear in other positions (such as the margin) of a search results page, which are more typically bought through a non-auction based model.

In an auction-based model, advertisers typically place bids for a higher likelihood to have their ads displayed in the top positions of the search results page to potentially obtain more clicks on their ad. Under this model, ad inventory is typically priced under a "cost per click" ("CPC") model, which means the advertisers will pay for every click on their ad. The cost is determined by several factors determined by the search engine's algorithm, typically including the maximum bid, quality score, and the ad rank of other advertisers bidding for the same keyword. For non-auction based model, advertisers generally acquire an ad space on a search results page at a price which is usually determined under a "cost per time" ("CPT") pricing model.

The following depicts samples of our search ad offerings:

- Ranked search ads (搜索排名广告):



- Display search ads (显示类搜索广告):



### *In-feed ads*

In-feed ads are a form of display ads that blend into the environment they appear in, for instance, looking like part of the news feed on a news or social media webpage, or appearing as a video clip on a short-video sharing platform.

As a form of “precision marketing”, in-feed advertising pushes ads to viewers based on data collected that is relevant to the user’s interests and therefore improves the likelihood of delivering ads to the desired audience of the advertisers. Due to the nature of in-feed ads, optimization in their presentation based on the features of advertisers’ products and services, including factors such as the graphic design of ads and the selection of the target audience, time slots, geographic regions and tiers of cities to display the ads, plays a vital role in improving the likelihood to attract clicks.

We have access to various in-feed advertising channels either directly with the media or with their authorized agencies. These channels include short-video sharing platforms such as Kuaishou and ByteDance, and various news portal and social media platforms.

Kuaishou  
(快手)



WeChat  
(微信)



Baidu news and content network  
(百度原生)



Today's Headline  
(今日头条)



The cost model for in-feed ads is mostly CPC and CPM.

**Mobile app ads**

Mobile app ads generally refer to ads that are deployed in selected mobile sites or mobile apps, and typically appear in the form of banners, buttons, app-launch screen images and interstitial ads. During the fiscal years 2021, 2020 and 2019, media channels we utilized for deployment of mobile app ads for our advertisers included independent apps with acceptable level of traffic, app stores as well as demand-side platforms, or DSPs.

Banner ad



Button ad



App-launch screen ad

Interstitial ads



The cost model for mobile app is normally CPT and CPA. CPA allows advertisers to pay for a specific action from a prospective customer where a payment is made only when a specific action takes place, such as download (also referred to as CPD), installation and activation.

**Social media ads**

With the emergence of popular online social media attracting numerous users, advertisers are increasingly receptive of the idea of identifying social media accounts that have influence over potential customers on these platforms, and orienting marketing activities around these KOLs. Our social media marketing services generally involves the design and implementation of creative advertising campaigns carried out on social media platforms through the use of influential social media accounts with suitable target audiences.

Our social media campaigns generally take the form of coordinated issuances of content on accounts in various popular media platforms, including popular social networking platforms, video sharing platforms, live-streaming platforms, knowledge sharing platforms and information content platforms, which are intended to reach the readers of the contents of these accounts. Depending on the advertisers' marketing objectives, various types of social media accounts can be used, such as (i) the accounts of celebrities and famous bloggers who have many followers; (ii) the accounts of key opinion leaders who commands authority and influence in certain areas (such as fashion, cars); (iii) online publications; and (iv) "grass root" accounts within a more niche audience.

To make a post on these social media accounts, we typically collaborate with various KOL agencies which own, manage, operate or have access to such social media accounts. We maintain a list of such KOL agencies, which are reviewed and updated from time to time based on our review of their service quality and their available resources. Generally, we enter into annual framework agreements with these KOL agencies setting out the major terms and administrative procedures for utilizing their social media accounts and KOL resources for ad deployments, and the respective rights and obligations of the parties.

Social media ads (example 1)



Social media ads (example 2)



**Our services and operational flow**

The diagram below illustrates the major stages of operation flow for the delivery of our advertising services.



**Acquiring advertisers**

We acquire advertisers through various means, including (i) approaching potential advertisers based on market intelligence and our industry insights; (ii) exploit our industry connections to identify potential advertisers; (iii) reaching out to our existing advertisers to explore further business opportunities, and (iv) through referrals by our advertisers (including advertising agencies) and media. See “— Sales and marketing” in this section for details.

It is common in the advertising industry to have cross-referrals among advertising agencies to utilize each other’s media resources which are not available to the others. For instance, we have been engaged by advertising agencies from time to time for placement of ads with media for which we are authorized agency, and we treat these advertising agencies and our direct advertisers alike in terms of the services we offer. Similarly, we may approach other advertising agencies who act as authorized agencies or have direct access of other media to acquire ad inventory for our advertisers.

We would negotiate with the advertisers on the commercial terms of the engagement, then we would enter into legally-binding contracts (framework agreements or one-off agreements) for the provision of our services.

*Pre-launch*

Before launching an advertising campaign, we would usually discuss with our advertiser to understand its products or services to be marketed, its marketing budget and its marketing objectives.

Depending on the needs of our advertisers, we may provide advices and services on advertising strategies and ad optimization, generally covering:

<b>Ad Type</b>	<b>Our advices or services</b>
<b>SEM ads:</b>	<p><i>Keywords research and selection:</i> We offer advices on selection of desired keywords and search-match criteria as well as exclusion of irrelevant search words to improve the click through rates (CTR) of ads.</p> <p><i>Bidding price:</i> We offer advices on bidding price for various types of keywords under the CPC model with a view to improving the effectiveness of an advertising campaign within a certain budget.</p> <p><i>Time and place for ad deployment:</i> We help advertisers identify their target audiences (such as their profiles and geographical locations) and target time slots to target the ad displays based on the characteristic of the advertisers' products and services. By setting these parameters, we aim to target the relevant audiences of the products and services we promoted to improve the efficiency of reaching users with higher likelihood to click on the ads.</p> <p><i>Ad presentation:</i> In addition to optimization on search actions and search-match process as described in "Keyword research and selection" above, we also provide design optimization on the presentation of search results such as title phrases, text descriptions and special appearances.</p>
<b>In-feed ads:</b>	<p><i>Customized audience:</i> Through direct access to the backend platform of the in-feed ad media which provides "tags" based on user profiles and behavior, we advise our advertisers on how to use these "tags" to define their target audiences, and assist our advertisers in adjusting the ad-trigger criteria to achieve more precise marketing.</p> <p><i>Time and place for ad deployment:</i> We help our advertisers set parameters such as geographical regions and time slots of ad displays and profiles of target audiences based on the features of advertisers' products and services to increase the likelihood of the ads reaching their target audience.</p> <p><i>Ad presentation:</i> In addition to increasing the precision of the advertisement, we also provide optimization services on the design and format of ads, such as the desired length, content, script and color tone of short video ads to make them more receptive to the target audiences.</p>
<b>Mobile app ads:</b>	<p>We advise our advertisers on the choice of media, length of deployment and the format of the advertisements, and negotiate pricing terms with the relevant media operators on behalf of our advertisers.</p>
<b>Social media marketing ads:</b>	<p>We assist our advertisers in the design of advertising strategies, provide advices on choices of ad formats and materials (such as short-video, image and text descriptions), and recommend appropriate social media accounts and suitable media channels for implementation and deployment of the advertising campaigns based on the themes and the desired effects of the campaigns. From time to time we may be requested to arrange third party service providers to assist in the preparation of advertising materials on behalf of our advertisers.</p>

We provide these advices and services on advertising strategies and ad optimization to our advertisers to improve the effectiveness of their ads, which we believe will serve to enhance our advertisers' satisfaction, promote their stickiness with us, and encourage them to retain our services.

*Campaign launch and performance review*

After the advertising strategies and materials are agreed with our advertisers, the advertising campaign will be ready to be launched.

Upon receiving our advertisers' orders, we would proceed to make ad placement orders with the relevant media or caused ad currency units to be recorded in our advertisers' accounts on behalf of our advertisers either directly in cases where we are an authorized agency of the relevant media or, in cases where we do not have direct access of the relevant media, through other advertising agencies acting as authorized agency of or having direct access to such media.

For auctioned-based ads (typically ranked search ads and certain in-feed ads), ad inventory is typically acquired through a bidding algorithm using "ad currency units", a record of virtual currency purchased and recorded in the back-end platform of the media. We typically maintain accounts of ad currency units directly with media or indirectly with media's authorized agencies on behalf of our advertisers. Ad currency units we purchase on behalf of our advertisers will be recorded in these ad currency accounts for use in bidding for ad inventory. When an ad was clicked or viewed, an amount of ad currency units which the advertiser bid will be deducted from the corresponding ad currency accounts. The advertiser can top up ad currency units in their ad currency accounts to keep the advertising campaign alive. When the balance in the ad currency accounts drops to zero, the campaign will go offline.

For non-auction-based ads (more commonly associated with display search ads, mobile app ads, certain in-feed ads and social media marketing ads), the costs of ad inventory are generally determined based on the ad placement order with reference to, among other things, the prices of the relevant ad inventory set by media, the form and length of exposure of the ads. The actual duration of an advertising campaign, on the other hand, will be determined by the advertiser with reference to its advertising budget and the actual advertising spend.

We have implemented measures to ensure that our ad content does not violate these laws and regulations. After we receive the ad content from our advertisers, it will be subject to a compliance review by our experienced employees. If we determine that the ad content does not violate any applicable laws and regulations, we will share the ad content with the relevant media for their internal review. If we determine that the ad content may be in violation of applicable laws or regulations, we will provide suggested edits to the ad content and send it back to the advertiser for revision. After both we and the media have determined that the ad content is in full compliance with applicable laws and regulations on information dissemination, we will confirm with the advertiser on its opinion with respect to the compliance prior to the deployment of the ad.

After an ad is launched, we monitor and assess the overall effectiveness of the advertising campaign in various dimensions, such as the click consumption of search ads, ad exposure of in-feed ads and the visibility and degree of customer engagement of social media campaigns.

Based on the above review, we may further advise our advertisers on advertising strategies and optimization refinements to continuously improve the effectiveness of their ad campaigns. We would update our advertisers of the effectiveness of their advertising campaigns. Review reports may be prepared to highlight our suggested optimization strategies. For social media campaigns, we may also issue closing reports to our advertisers to summarize the key ad deliverables (such as screen shots of the relevant social media accounts) and analyze the campaign effectiveness.

## **Customers**

The identities of our customers vary depending on the type of revenue and the nature of the business transactions. Where we recognize rebates and incentives we earn from media (or their authorized agencies) as our revenue, our customers are the media or their authorized agencies. If we recognize net fees we earn for procuring advertising services and ad inventory from media (or other advertising service providers) on behalf of our advertisers, our customers are our advertisers.

The table below summarizes our revenue model for different services:

Type	Our principal revenue model
SEM Services	
· Search ads	Rebates and incentives
Non-SEM Services	
· In feed ads	Rebates and incentives
· Mobile app ads	Net fees; rebates and incentives
· Social media ads	Net fees

### **Top customers**

In 2019, our top five customers were Beijing Sogou Information Services Co., Ltd., Beijing Admatator Network Technology Co., Ltd., Beijing Hetaolin Media Advertising Co., Ltd., Shenzhen Yichunqiu Technology Co., Ltd., and Beijing Yuetongzhike Network Technology Co., Ltd., representing 45.6%, 13.6%, 7.4%, 7.3% and 5.2% of our total revenue, respectively.

In 2020, our top five customers were Beijing Sogou Information Services Co., Ltd., Beijing Famous-Ad Co., Ltd., Hangzhou Yugang Information Technology Co., Ltd., Tianjin Infinite Network Technology Co., Ltd., and Aikuyou (Liaocheng) Information Technology Co., Ltd., representing 68.9%, 12.8%, 3.5%, 2.4% and 2.3% of our total revenue, respectively.

In 2021, our top five customers were Beijing Sogou Technology Development Co., Ltd., Hubei Toutiao Technology Co., Ltd., Guangzhou Juyao Information Technology Co., Ltd., Horgos Zhijiantiancheng Technology Co., Ltd., and Hangzhou Qubian Network Technology Co., Ltd., representing 41.8%, 28.1%, 16.5%, 7.6% and 2.0% of our total revenue, respectively.

### **Concentration of customers**

41.0%, 61.9% and 54.8% of our gross billing, and 62.6%, 68.6% and 47.2% of our revenue, for the fiscal years 2021, 2020 and 2019, respectively, were associated with our SEM services. We consider that the significance of our SEM services and our market presence as an advertising agency in this particular segment actually distinguishes us from many other market players engaging in the provision of online advertising agency services. That said, the search engine market in China demonstrates a highly concentrated feature on resource distribution. Very few search engines host the vast majority of online search traffics. As a result, search ad resources are concentrated on a few search engines. Accordingly, advertising service providers which offer SEM services will inevitably face customer concentration by the very nature of the market landscape. In addition, the fact that we were one of the authorized agencies of Sogou rendered us one of the go-to online advertising service providers for acquisition of ad inventory offered by Sogou, which further contributed to our customer concentration during the fiscal years 2020 and 2019.

Sogou, of which we were its authorized agency from 2016 to March 2021, had been our top customer during this period of time. The revenue contribution from Sogou had been stable during the fiscal years 2021, 2020 and 2019, accounting for 41.8%, 68.9% and 45.6% of our revenue in the fiscal years 2021, 2020 and 2019, respectively.

We have been actively expanding our advertiser base and other revenue sources, and at the same time identifying and securing authorized agency status with suitable media with a view to reducing our customer concentration and our risk of over-reliance on any particular customer. In this connection, we have successfully secured authorized agency status with other media. See “— Business model — Our media” in this section for further details of the media that we have secured authorized agency status and that we believe are significant to our business operations. On the other hand, the number of advertisers we served decreased slightly from 438 in 2019 to 410 in 2020, and increased to 462 in 2021. Our gross billing and revenue contribution from our non-SEM services decreased from \$91.7 million and \$9.4 million in 2019 to \$51.4 million and \$3.7 million in 2020, respectively, and decreased to \$32.1 million and \$1.5 million in 2021, respectively. We endeavor to continue our efforts in further diversifying our revenue and customer base, and we are confident that our added authorized agency status with other media would facilitate our efforts in expanding our revenue source and attract new advertisers.

## Suppliers

As we recognize all our revenue on a net basis as either rebates and incentives from media or net fees from advertisers, we do not have any significant suppliers and our cost of sales is mostly composed of our staff costs. For more details on our revenue model, see “— Revenue model and payment cycle” in this section.

## Sales and Marketing

As of the date of this annual report, we had 12 employees in our sales and marketing teams who are mainly responsible for pitching and soliciting advertisers to place ads with media through us. They are tasked with growing and optimizing our advertiser base, understanding advertisers’ needs, and cultivating and maintaining relationships with such advertisers.

To grow our advertiser base, it is part of our strategy to identify rapidly expanding industry sectors which show a growing need of online advertising services by gathering and analyzing available market intelligence (such as third-party industry research reports, observation regarding ad placements on major media, news about rolling out of new online products and services). We generally prioritize our focus on the lead players in these targeted sectors and reach out to them with a view to introducing our services to them. On the other hand, our management and sales and marketing team has extensive experience in the online marketing industry. It is also our strategy to exploit such industry connections to enhance our visibility in the market and explore opportunities to reach potential advertisers.

We also acquire new business opportunities from our existing advertiser base. By keeping in touch with our existing advertisers, we are able to gain a deeper understanding of our advertisers’ latest business development and their specific advertising needs, and introduce services and ad inventory that are suitable for them.

While our business could come from direct marketing by contacting potential and existing advertisers, a significant portion of our business also come through various referral sources, with the most significant referrals coming from:

- (i) **Existing and former advertisers who have used our services:** We believe we have established good reputation for the quality of our services in the online advertising industry spread through the word of mouth. Our authorized agency status of popular media also gives us a strong presence in the online advertising market. We believe these factors have increased the likelihood that an existing or former advertiser may recommend our services to its business connections.
- (ii) **Media with existing and former business relationship with us:** Being an authorized agency for our media is an important source of referrals. Typically, popular media would take effort to market their media platforms to attract more advertisers. As a result, they may from time to time receive direct inquiries from advertisers regarding placement of ads on their platforms. For those media which maintain a network of authorized agencies, they would naturally refer the advertisers which have directly approached them to their authorized agency like us.
- (iii) **Other third-party advertising agencies:** It is common in the advertising industry to have cross-referrals among advertising agencies to utilize each other’s media resources which are not available to the others. On the back of our relationships and authorized agency status with certain media, we have direct access to the ad inventory offered by such media and attracts other third-party advertising agencies without such direct access to place ads through us. Occasionally, we may also receive referrals from other advertising agencies if they consider the services requested by an advertiser do not fit their business goals and strategies (for instance, in terms of sector focus and target profit margin).

Supporting our sales and marketing team are our customer service team, which helps to offer online advertising services to our clients. Our customer service officers are responsible for supporting our advertisers in the ad placement process. They provide consultative services on advertising strategies, campaign planning, execution and post-launch review. We believe that the quality of our service enables us to develop deeper, longer-lasting relationships with our advertisers, identify new opportunities and win new advertisers.

## **Competition**

The online advertising services market in China is highly fragmented and competitive. Along with further consolidation of the market and the continuous innovation of marketing technologies, the concentration level of independent online advertising market is expected to increase gradually, as leading online marketing technology platforms are expected to take up higher market share in the future. Top-tier service providers with various distribution channels and technology advantages are expected to prevail in the future.

Online advertising service providers compete primarily on access to media resources, size of advertiser base, experience of management and service professionals, sufficiency of funding, quality of service, brand recognition, optimization capability, and technological competency. In addition to competition among online advertising service providers, the industry also faces competition from offline advertising through diversion of advertisers' marketing budgets.

We believe we can effectively compete with other online advertising service providers with our broad and diverse advertiser base, established relationships with media and their authorized agencies, authorized agency status with popular media, and our experienced and visionary management team. Going forward, we endeavor to further enlarge our advertiser base and widen our access to media.

## **Intellectual Property**

We regard our proprietary domain names, copyrights, trademarks, trade secrets and other intellectual property critical to our business operations. We rely on a combination of copyrights, trademarks and trade secret laws and restrictions on disclosure to protect our intellectual property.

As of the date of this annual report, we have registered:

- two trademarks in Hong Kong;
- one domain name in China; and
- 13 software copyrights in China.

We implement a set of comprehensive measures to protect our intellectual properties, in addition to making trademark and patent registration applications. Key measures include: (i) timely registration, filing and application for ownership of our intellectual properties, (ii) actively tracking the registration and authorization status of intellectual properties and take action in a timely manner if any potential conflicts with our intellectual properties are identified, (iii) clearly stating all rights and obligations regarding the ownership and protection of intellectual properties in all employment contracts and commercial contracts we enter into.

As of the date of this annual report, we have not been subject to any material dispute or claims for infringement upon third parties' trademarks, licenses and other intellectual property rights in China.

## **Seasonality**

We have experienced, and expect to continue to experience, seasonal fluctuations in our results of operations, due to seasonal changes in our advertisers' budgets and spending on advertising campaigns. For example, our revenues tend to increase as advertising spend rises in holiday seasons with consumer holiday spending, or closer to end-of-year in fulfillment of their annual advertising budgets.

## **Insurance**

We maintain certain insurance policies to safeguard us against risks and unexpected events. For example, we provide social security insurance including pension insurance, unemployment insurance, work-related injury insurance and medical insurance for our employees in compliance with applicable PRC laws. We do not maintain business interruption insurance or product liability insurance, which are not mandatory under PRC laws. We do not maintain key man insurance, insurance policies covering damages to our network infrastructures or information technology systems nor any insurance policies for our properties. During the fiscal years 2021, 2020 and 2019, we did not make any material insurance claims in relation to our business.

## Legal Proceedings

We may from time to time become a party to various legal administrative proceedings arising in our ordinary course of our business.

On April 16, 2019, Ms. Chen Chen filed a lawsuit in a court in Beijing against Beijing Baosheng, with Baosheng Hong Kong named as third party in the complaint, requesting to be recognized as a 5% equity interest holder in Beijing Baosheng pursuant to an equity ownership agreement Ms. Chen Chen previously entered into with Beijing Baosheng on March 17, 2016 (the “Equity Ownership Agreement”) (the “Equity Ownership Dispute”). Ms. Chen Chen claimed that she had satisfied the conditions set forth in the Equity Ownership Agreement and was accordingly entitled to the 5% equity interest in Beijing Baosheng. Ms. Chen Chen sought to be recognized as 5% equity interest holder in Beijing Baosheng and receive such equity interest, and to be compensated for litigation related expenses. On June 2, 2020, Ms. Chen Chen voluntarily filed a motion to withdraw this case. On June 16, 2020, the court granted the motion.

In addition, in June 2019, Ms. Chen Chen filed another lawsuit in a court in Beijing against Beijing Baosheng (the “Contractual Dispute”), seeking to terminate the Equity Ownership Agreement and be compensated in the amount of RMB47.7 million (\$6.8 million), representing the alleged fair market value of the 5% equity interest in Beijing Baosheng to which she claimed title, and for any litigation related expenses. On July 30, 2021, the court issued a judgment ruling that the Equity Ownership Agreement was terminated on October 16, 2020 and requiring Beijing Baosheng to compensate Ms. Chen Chen RMB10,739,877 (approximately \$1,685,321). Both parties have appealed the ruling to an intermediate court. On January 12, 2022, Beijing Baosheng received a final judgment from the intermediate court, upholding the original judgment issued on July 30, 2021. According to the original judgment, Beijing Baosheng is required to pay the plaintiff RMB10,739,877 (approximately \$1,685,321) and court expenses of RMB71,421 (approximately \$11,207). On February 8, 2022, the final judgment was enforced by the court with a total of RMB10,917,701 (approximately \$1,713,225) being withdrawn from one of the frozen bank accounts of Beijing Baosheng, the bank account at Bank of Hangzhou, which was unfrozen afterwards, and which amount was applied to the satisfaction of such judgment and the payment in full of the related fees and expenses. As confirmed by Beijing Baosheng’s PRC counsel, the Freezing Order (including the freezing of Beijing Baosheng’s equity interests in Horgos Baosheng and Kashi Baosheng) will be reversed and all of the impacted assets will be unfrozen, accordingly. As of the date of this annual report, three out of the four frozen accounts have been unfrozen and the unfreezing procedure for the remaining one account is still in progress, which is expected to be completed by the end of July 2022. Additionally, the unfreezing procedure related to Beijing Baosheng’s equity interests in Horgos Baosheng and Kashi Baosheng is still in progress. We expect that the impacted equity interests will be unfrozen in August 2022.

On April 2, 2020, Ms. Wenxiu Zhong, the chairperson of our board of directors and our chief executive officer, executed the Guarantee Letter, pursuant to which, Ms. Wenxiu Zhong promised to unconditionally, irrevocably and personally bear any and all the economic expenses and losses actually incurred by Beijing Baosheng, Baosheng Hong Kong, and the Company in connection with the Equity Ownership Dispute and the Contractual Dispute, including, but not limited to, the amount of damages imposed by the courts, court expenses and attorney fees.

Accordingly, Beijing Baosheng requested Ms. Wenxiu Zhong to perform her obligations under the Guarantee Letter by reimbursing Beijing Baosheng’s litigation costs, including, but not limited to, the amount of damages imposed by the courts, court expenses, and attorney fees. On March 10, 2022, as promised by the Guarantee Letter, Ms. Zhong made the payment in cash of RMB11,053,940 (approximately \$1,734,604) to Beijing Baosheng. Such payment made by Ms. Zhong includes the amount paid to Ms. Chen Chen as ordered by the courts plus interest as well as the court expense, attorney fee, and court enforcement fee.

Further, Ms. Chen Chen filed a labor dispute case against Horgos Baosheng, Beijing Branch with the Beijing Shijingshan District Labor Dispute Arbitration Committee (the “Committee”) on the grounds that her previous employment with Horgos Baosheng, Beijing Branch was wrongfully terminated. Ms. Chen Chen sought compensation for her lost pay, lost benefits, and litigation related expenses, and award of punitive damages. The Committee issued a judgment on August 23, 2019, ruling in favor of Ms. Chen Chen and granted her the damages in the sum of RMB424,161 (\$60,873). Horgos Baosheng, Beijing Branch appealed the case to a court in Beijing in December 2019. On April 23, 2020, the court issued a final judgment that upheld the previous ruling. As a result, we compensated Ms. Chen Chen a total of RMB424,161 (\$60,873) on May 28, 2020.

As we routinely enter into business contracts with our advertisers, we have been and may continue to be involved in legal proceedings arising from contract disputes.

In 2019, Horgos Baosheng brought a breach of contract claim against Qingdao Xingyuan Automobile Information Technology Co., Ltd. (“Qingdao Xingyuan”) and sought recovery of RMB3.85 million in aggregate. On December 21, 2020, the reviewing court entered a judgment, ruling in favor of Horgos Baosheng and requiring Qingdao Xingyuan to compensate Horgos Baosheng RMB3.25 million and an extra penalty calculated based on the loan prime rate from August 28, 2019 to the actual date of payment. As of the date of this annual report, the judgment is under the stage of enforcement.

In April 2020, Beijing Baosheng brought a breach of contract claim against Guangzhou Aiyou Information Technology Co. Ltd. (“Guangzhou Aiyou”) and sought recovery of RMB1,255,000 in aggregate. On August 22, 2020, the Beijing arbitration committee entered a judgment, ruling in favor of Beijing Baosheng and requiring Guangzhou Aiyou to compensate Beijing Baosheng RMB1,255,000, with a penalty of RMB592,360, and an extra daily penalty of 0.05%, calculated from April 20, 2020 to the actual date of payment, and arbitration-related expenses. On November 17, 2020, Beijing Baosheng filed a request with Guangzhou Intermediate People’s Court, seeking to mandatorily enforce the judgment. As of the date of this annual report, the judgment is under the stage of enforcement.

In June 2021, Baosheng Technology brought a breach of contract claim against Beijing 5198 Technology Co., Ltd. (“5198”) and Jiangxi Wanda Shikong Technology Co., Ltd. (“Wanda Shikong”) in the Beijing Haidian District People’s Court through the first hearing and sought recovery of RMB5,933,200 (approximately \$931,429) and related liquidated damages. 5198 and Wan Shikong had paid RMB5,000,000 (approximately \$784,929) as a security deposit to Baosheng Technology, and Baosheng Technology believes that such security deposit can be used to offset the RMB5,933,200 recovery. In the meantime, we have requested the court to freeze the two bank accounts of 5198 and Wanda Shikong with a total amount of RMB378,337 (approximately \$53,393). On March 7, 2022, the court held the second hearing. On April 20, 2022, taking into account the defendant parties’ financial situation as well as the long-term business relationship among the parties, Baosheng decided to withdraw its action against 5198 and only sought recovery of RMB370,000 (approximately \$56,024) from Wanda Shikong. Wanda Shikong made no objection to the changed claims. Both parties agreed to resolve this dispute through court mediation. Subsequently, on April 24, 2022, the court issued a civil mediation statement confirming that the parties had reached the following agreement: (1) Wanda Shikong shall pay Beijing Baosheng RMB370,000 (approximately \$56,024) by April 26, 2022, and (2) the litigation-related expenses shall be borne by Beijing Baosheng. As of the date of this annual report, Beijing Baosheng has not yet received the payment from Wanda Shikong.

In January 2022, Beijing Baosheng brought a breach of contract claim against Beijing Hekai Qianyu Intelligent Technology Co., Ltd. (“Hekai Qianyu”) and Beijing Zhigu Education Technology Co., Ltd. (“Zhigu Education”) and Mr. Hongpeng Yao (the legal representatives of both Hekai Qianyu and Zhigu Education) in the Beijing Dongcheng District People’s Court and sought recovery of RMB756,000 (approximately \$118,681) and related liquidated damages. Beijing Baosheng subsequently withdraw its action against Zhigu Education and agreed to resolve this dispute with the other two defendants through court mediation. On March 25, 2022, the court issued a civil mediation statement confirming that the parties had reached the following agreement: (1) Hekai Qianyu shall pay Beijing Baosheng RMB756,000 (approximately \$118,681) by April 24, 2022, and in case of any late payment of the foregoing, an additional daily penalty calculated from April 25, 2022 to the actual date of payment shall be imposed; (2) Mr. Hongpeng Yao assumes jointly and several liability for the payment under item (1); and (3) the litigation-related expenses shall be borne by Hekai Qianyu and Mr. Hongpeng Yao. On April 25, 2022, Beijing Baosheng filed a request with the court, seeking to mandatorily enforce the settlement. As of the date of this annual report, Beijing Baosheng has not yet received any payment from the defendants.

In March 2022, Beijing Baosheng brought a breach of contract claim against Beijing Aipu New Media Technology Co., Ltd. (“Aipu”) in the Beijing Haidian District People’s Court and sought recovery of RMB1,783,834.04 (approximately \$270,102) and related liquidated damages. On March 14, 2022, Beijing Baosheng applied for reservation of Aipu’s property in an amount of RMB1,783,834.04 (approximately \$270,102) and said application was approved by the court on March 17, 2022. As of the date of this prospectus, Beijing Baosheng is waiting for the court’s notice on the following procedures.

### **Freezing Order**

In the litigation process of the Contractual Dispute, Ms. Chen Chen requested Haidian Court to issue a freezing order and freeze the assets of Beijing Baosheng at the time of request, which were worth a total of RMB47.65 million. On July 25, 2019, Haidian Court issued freezing injunction, ordering the freezing of the assets of Beijing Baosheng, including cash in the amount of RMB47.7 million (the “Freezing Order”).

Pursuant to the Freezing Order, Beijing Baosheng's assets in the amount of RMB47.7 million were ordered to be frozen, including 100% of the equity interests in Horgos Baosheng and Kashi Baosheng, as well as four bank accounts of Beijing Baosheng.

Pursuant to applicable PRC laws and regulations, if a company's equity interest is frozen by a court order, the company's shareholders may be restricted in: (a) transferring or pledging the equity interest, (b) receiving dividends from the company, and (c) voting for the dissolution and winding up of the company, the forgiving of matured loans, or other decisions that may impact the value of equity interest of the company.

On January 12, 2022, Beijing Baosheng received a final judgment from the intermediate court, upholding the original judgment issued on July 30, 2021. According to the original judgment, Beijing Baosheng is required to pay the plaintiff RMB10,739,877 (approximately \$1,685,321) and court expenses RMB71,421 (approximately \$11,207). In addition, Beijing Baosheng is required to pay the plaintiff RMB28,192 (approximately US\$4,424) of interest and court enforcement fee of RMB78,211 (approximately \$12,273). On February 8, 2022, the final judgment was enforced by the court with a total of RMB10,917,701 (approximately \$1,713,225) being withdrawn from one of the frozen bank accounts of Beijing Baosheng, the bank account at Bank of Hangzhou, which was unfrozen afterwards, and which amount was applied to the satisfaction of such judgment and the payment in full of the related fees and expenses.

As confirmed by Beijing Baosheng's PRC counsel, the Freezing Order (including the freezing of Beijing Baosheng's equity interests in Horgos Baosheng and Kashi Baosheng) will be reversed and all of the impacted assets will be unfrozen, accordingly. As of the date of this annual report, three out of the four frozen accounts have been unfrozen and the unfreezing procedure for the remaining one account is still in progress, which is expected to be completed by the end of July 2022. Additionally, the unfreezing procedure related to Beijing Baosheng's equity interests in Horgos Baosheng and Kashi Baosheng is still in progress. We expect that the impacted equity interests will be unfrozen in August 2022.

As of May 16, 2022, the following assets of Beijing Baosheng were still frozen pursuant to the Freezing Order:

- (1) 100% equity interest in Horgos Baosheng;
- (2) 100% equity interest in Kashi Baosheng; and
- (3)\* cash in the amount of RMB0.5 million in a bank account at Beijing Qinghua East Road Branch of Bank of China.

\* The bank account at Beijing Qinghua East Road Branch of Bank of China was frozen pursuant to the Freezing Order on April 15, 2021.

According to Ms. Wenxiu Zhong's Guarantee Letter, Beijing Baosheng requested Ms. Wenxiu Zhong to fulfill her obligations under the Guarantee Letter by reimbursing Beijing Baosheng's litigation costs, including, but not limited to, the amount of damages imposed by the courts, court expenses, attorney fees, and other reasonably related expenses. As of March 10, 2022, as promised by the Guarantee Letter, Ms. Zhong had made the payment in cash of RMB11,053,940 (approximately \$1,734,604) to Beijing Baosheng. Such payment made by Ms. Zhong includes the amount paid to Ms. Chen Chen as ordered by the courts plus interest as well as the court expense, attorney fee, and court enforcement fee.

## **Regulation**

This section sets forth a summary of the most significant rules and regulations that affect our business activities in China.

### **Regulations relating to Advertising Businesses**

The Advertising Law (《中华人民共和国广告法》) which was promulgated by the Standing Committee of the National People's Congress ("SCNPC") on October 27, 1994 and amended on April 24, 2015, October 26, 2018 respectively and became effective on October 26, 2018, requires that advertisers, advertisement operators and advertisement publishers shall ensure that contents of advertisements produced or spread by them are true and totally comply with applicable laws and regulations, and contents of advertisements shall not include, inter alia, information which (1) damages the national dignity or interest, or involves state secrets; (2) contains such words as "national", "highest level" and "the best"; and (3) involves ethnic, racial, religious and gender discrimination. In addition, advertisements with certain special contents shall be subject to government review prior to publication, and advertisement operators and advertisement publishers shall confirm that such review has been sufficiently implemented and relevant approvals have been obtained. Violation of the aforesaid requirements may lead to penalties, confiscation of advertising revenues, or being ordered to stop spreading the advertisement or to publish an advertisement for correcting any misleading information. If such case is serious, the industrial and commercial administration authority may order termination of advertising operation or cancelation of the business license.

The Interim Measures for the Administration of Internet Advertising (《互联网广告管理暂行办法》) which was promulgated by SAIC on July 4, 2016 and came into effect on September 1, 2016 governs all advertisements published on the Internet, including but not limited to advertisements in the form of text, image, audio and video which are published through website, web page and application. Internet advertisement operators and publishers shall not design, produce, provide agency services for or publish any false advertisement they know or should have known; shall establish a review and file management system, inspect and verify relevant supporting documents, and check contents of advertisements; and shall not design, produce, provide agency services for or publish any advertisement whose contents are untrue or without sufficient supporting documents.

### **Regulations relating to Internet Information Services**

On September 25, 2000, the State Council of the People's Republic of China (the "State Council") promulgated the Administrative Measures on Internet Information Services (《互联网信息服务管理办法》) (the "Internet Measures"), which was later amended and became effective on January 8, 2011. Under the Internet Measures, internet information services are divided into profitable services and non-profitable services, a license requirement shall be satisfied before conducting profitable internet information service, and a filing requirement shall be satisfied before conducting non-profitable internet information service. The provision of information services through mobile apps is subject to the PRC laws and regulations governing Internet information services.

The content of the Internet information is highly regulated in China and pursuant to the Internet Measures, the PRC government may shut down the websites of internet information providers (for non-profitable Internet information services) if they produce, reproduce, disseminate or broadcast internet content that contains content that is prohibited by law or administrative regulations. Internet information services providers are also required to monitor their websites. They may not post or disseminate any content that falls within the prohibited categories, and must remove any such content from their websites, save the relevant records and make a report to the relevant governmental authorities. Additionally, as the Internet information service providers, under the Civil Code of the PRC (《中华人民共和国民法典》), which became effective on January 1, 2021, they shall bear tortious liabilities in the event they infringe upon other persons' rights and interests. Where an internet service provider conducts tortious acts through internet services, the infringed person has the right to request the Internet service provider take necessary actions such as deleting contents, screening and de-linking. Failing to take necessary actions after being informed, the Internet service provider will be subject to its liabilities with regard to the additional damages incurred. Where an Internet service provider knows that an internet user is infringing upon other persons' rights and interests through its Internet service but fails to take necessary actions, it is jointly and severally liable with the Internet user.

## Regulations relating to Information Security and Privacy Protection

Internet content in China is regulated and restricted from a state security standpoint. On December 28, 2000, the SCNPC enacted the Decisions on Maintaining Internet Security (《全国人民代表大会常务委员会关于维护互联网安全的决定》), later amended on August 27, 2009, which subject violators to criminal punishment in China for any effort to: (1) use the Internet to market fake and substandard products or carry out false publicity for any commodity or service; (2) use the Internet for the purpose of damaging the commercial goodwill and product reputation of any other person; (3) use the Internet for the purpose of infringing on the intellectual property of any person; (4) use the Internet for the purpose of fabricating and spreading false information that affects the trading of securities and futures or otherwise jeopardizes the financial order; or (5) create any pornographic website or webpage on the Internet, provide links to pornographic websites, or disseminate pornographic books and magazines, movies, audio-visual products, or images. Pursuant to the Administrative Measures for the Security Protection of Computer Information Networks Linked to the Internet (《计算机信息网络国际联网安全保护管理办法》) which was promulgated by the Ministry of Public Security (the “MPS”) on December 16, 1997 and later amended and became effective on January 8, 2011, the Internet is prohibited to be used in ways which, among other things, would result in a leakage of state secrets or a spread of socially destabilizing content. On December 13, 2005, the MPS promulgated the Provisions on the Technical Measures for the Protection of the Security of the Internet (《互联网安全保护技术措施规定》) which require internet service providers to take proper measures including anti-virus, data back-up and other related measures, to keep records of certain information about its users (including user registration information, log-in and log-out time, IP address, content and time of posts by users) for at least 60 days, and to detect illegal information, stop transmission of such information, and keep relevant records. If an internet information service provider violates these measures, the MPS and the local public security bureaus may recommend that the original certificate examination, approval and issuing organizations revoke its operating license and shut down its websites. Pursuant to the Circular of the MPS, the State Secrecy Bureau, the State Cipher Code Administration and the Information Office of the State Council on Printing and Distributing the Administrative Measures for the Graded Protection of Information Security (《公安部、国家保密局、国家密码管理局、国务院信息化工作办公室关于印发〈信息安全等级保护管理办法〉的通知》) which was promulgated on June 22, 2007, the state shall, by formulating nationally effective administrative norms and technical standards for the graded protection of information security, organize citizens, legal persons and other organizations to grade information systems and protect their security, and supervise and administer the graded protection work. The security protection grade of an information system may be classified into the five grades. To newly build an information system of Grade II or above, its operator or user shall, within 30 days after it is put into operation, handle the record-filing procedures at the local public security organ at the level of municipality divided into districts or above of its locality.

PRC governmental authorities have enacted laws and regulations on internet use to protect personal information from any unauthorized disclosure. On December 28, 2012, the SCNPC promulgated the Decision on Strengthening Network Information Protection (《关于加强网络信息保护的决定》), which became effective on the same day, to enhance the legal protection of information security and privacy on the Internet. On July 16, 2013, the Ministry of Industry and Information Technology of the PRC (the “MIIT”) promulgated the Provisions on Protection of Personal Information of Telecommunication and Internet Users (《电信和互联网用户个人信息保护规定》) to regulate the collection and use of users’ personal information in the provision of telecommunication services and internet information services in China. Telecommunication business operators and internet service providers are required to establish its own rules for collecting and use of users’ information and cannot collect or use users’ information without users’ consent. Telecommunication business operators and internet service providers are prohibited from disclosing, tampering with, damaging, selling or illegally providing others with, collected personal information.

On November 7, 2016, the SCNPC published the Cyber Security Law of the PRC (《中华人民共和国网络安全法》), or the Cyber Security Law, which took effect on June 1, 2017 and requires network operators to perform certain functions related to cyber security protection and the strengthening of network information management. For instance, under the Cyber Security Law, network operators of key information infrastructure shall store within the territory of the PRC all the personal information and important data collected and produced within the territory of PRC and their purchase of network products and services that may affect national securities shall be subject to national cybersecurity review. Our PRC legal counsel, Beijing Dacheng, has advised us that, based on its understanding of the Cyber Security Law, we are not a network operator and not subject to the requirements imposed to network operators under the Cyber Security Law. However, as a non-network operator, like any individual or organization, we have an obligation under the Cyber Security Law not to acquire personal information by stealing or through other illegal means, or illegally sell or provide personal information to any other person. As of the date of this annual report, we are in material compliance with the Cyber Security Law, and this law has not had a significant impact on our business operations. However, our PRC legal counsel, Beijing Dacheng, has further

advised us that there are uncertainties as to how the Cyber Security Law will be interpreted or amended by competent authorities in the future.

On April 13, 2020, the Cyberspace Administration of China and other departments issued Cybersecurity Review Measures (《网络安全审查办法》), which took effect on June 1, 2020, to provide for more detailed rules regarding cybersecurity review requirements.

## **Regulations relating to Intellectual Property Rights**

### ***Copyrights***

In accordance with the Copyright Law of the PRC (《中华人民共和国著作权法》) promulgated by the SCNPC on September 7, 1990, last amended on February 26, 2010 and came into effect on April 1, 2010, Chinese citizens, legal persons or other entities own the copyright in their works whether published or not, including written works, oral works, music, comedy, arts of talking and singing, dance and acrobatics, work of art and architecture work, photographic works, cinematographic work and work created by the method similar to the film production method; engineering design drawing, product design drawing, map, sketch and other graphic works and model works, computer software and other works specified by laws and administrative regulations. The rights a copyright owner has include but not limited to the following rights of the person and property rights: the right of publication, right of authorship, right of modification, right of integrity, right of reproduction, distribution right, rental right, right of network communication, translation right and right of compilation.

In accordance with the Regulations on the Protection of Computer Software (《计算机软件保护条例》) promulgated by the State Council on December 20, 2001 and last amended on January 30, 2013, Chinese citizens, legal persons or other entities own the copyright, including the right of publication, right of authorship, right of modification, right of reproduction, distribution right, rental right, right of network communication, translation right and other rights software copyright owners shall have in software developed by them, regardless of whether it has been published. In accordance with the Measures for the Registration of Computer Software Copyright (《计算机软件著作权登记办法》) promulgated by the National Copyright Administration on April 6, 1992 and last amended on February 20, 2002, software copyrights, exclusive licensing contracts for software copyrights and software copyright transfer contracts may be registered, and the National Copyright Administration shall be the competent authority for the administration of software copyright registration and designates the Copyright Protection Center of China as a software registration authority. The Copyright Protection Center of China shall grant a registration certification to a computer software copyright applicant who complies with regulations.

### ***Trademark***

In accordance with the Trademark Law of the PRC (《中华人民共和国商标法》) (the “Trademark Law”), which was promulgated by the SCNPC on August 23, 1982 and came into effect on March 1, 1983, and was last amended on April 23, 2019 and came into effect on November 1, 2019, and the Regulations for the Implementation of the Trademark Law of the PRC (《中华人民共和国商标法实施条例》) which was promulgated by the State Council on August 3, 2002, came into effect on September 15, 2002 and was last amended on April 29, 2014 and came into effect on May 1, 2014, any trademark which is registered with the approval of the Trademark Office is a registered trademark, including commodity trademark, service trademark, collective trademark, certification trademark, and the trademark registrant has the exclusive right to use a registered trademark and such right is protected by law. A registered trademark is valid for a period of 10 years commencing from the date on which the registration is approved. Use of a trademark that is identical with or similar to a registered trademark, for the same kind of or similar commodities, without authorization of the trademark registrant, constitutes infringement of the exclusive right to use a registered trademark.

### **Domain name**

In accordance with the Measures for the Administration of Internet Domain Names (《互联网域名管理办法》) which was promulgated by the MIIT on August 24, 2017 and came into effect on November 1, 2017, the Implementing Rules of China Internet Network Information Center on Domain Name Registration (the “Implementing Rules of Domain Name Registration”) (《中国互联网信息中心域名注册实施细则》) which was promulgated by China Internet Network Information Center (the “CNNIC”) on May 28, 2012 and came into effect on May 29, 2012, and the Measures of the China Internet Network Information Center on Domain Name Dispute Resolution (the “Measures on Domain Name Dispute Resolution”) (《中国互联网络信息中心域名争议解决办法》) which was promulgated by CNNIC May 28, 2012, came into effect on June 28, 2012, domain name registrations are handled through domain name service agencies established under relevant regulations, and the applicant becomes a domain name holder upon successful registration, and domain name disputes shall be submitted to an organization authorized by CNNIC, for resolution. Both the Implementing Rules of Domain Name Registration and the Measures on Domain Name Dispute Resolution were abolished on June 18, 2019 and replaced by Implementing Rules of China Top Level Domain Name Registration (《国家顶级域名注册实施细则》), which was promulgated by CNNIC on June 18, 2019 and came into effect on the same day.

In accordance with the Notice from the Ministry of Industry and Information Technology on Regulating the Use of Domain Names in Internet Information Services (《工业和信息化部关于规范互联网信息服务使用域名的通知》) which was promulgated by the MIIT on November 27, 2017 and came into effect on January 1, 2018, internet access service providers shall verify the identity of each internet information service provider, and shall not provide services to any internet information service provider which fails to provide real identity information.

### **Regulations relating to Labor and Social Welfare**

#### ***The Labor Contract Law***

Pursuant to the Labor Contract Law of the PRC (《中华人民共和国劳动合同法》), which was issued on June 29, 2007, amended on December 28, 2012 and became effective on July 1, 2013, labor contracts shall be concluded in writing if employment relationships are to be or have been established between enterprises or institutions and the employees. Enterprises and institutions are forbidden to force employees to work beyond the time limit and employers shall pay employees for overtime work in accordance with national regulations. In addition, employee wages shall not be lower than local standards on minimum wages and shall be paid to employees in a timely manner.

According to the Labor Law of the PRC (《中华人民共和国劳动法》) which was promulgated on July 5, 1994 and last amended and came into effect on December 29, 2018, enterprises and institutions shall establish and improve their system of workplace safety and sanitation, strictly abide by state rules and standards on workplace safety, educate employees in occupational safety and sanitation in the PRC. Occupational safety and sanitation facilities shall comply with state-fixed standards. Enterprises and institutions shall provide employees with a safe workplace and sanitation conditions which are in compliance with state stipulations and the relevant articles of occupational protection.

#### ***Social Insurance and Housing Fund***

Pursuant to the Interim Regulations on Levying Social Insurance Premiums (《社会保险费征缴暂行条例》) promulgated on January 22, 1999 and revised on March 24, 2019, Decisions of the State Council on Modifying the Basic Endowment Insurance System for Enterprise Employees (《国务院关于完善企业职工基本养老保险制度的决定》) promulgated on December 3, 2005, Decision on Establishment of Basic Medical System for Urban Employee (《国务院关于建立城镇职工基本医疗保险制度的决定》) issued by State Council with effect from December 14, 1998, the Regulations on Unemployment Insurance (《失业保险条例》) effective from January 22, 1999, Regulations on Work-Related Injury Insurance (《工伤保险条例》) promulgated on April 27, 2003, amended on December 20, 2010, and became effective on January 1, 2011, and the Interim Measures concerning the Maternity Insurance for Enterprise Employees (《企业职工生育保险试行办法》) promulgated on December 14, 1994 with effect from January 1, 1995, employers are required to register with the competent social insurance authorities and provide their employees with welfare schemes covering pension insurance, unemployment insurance, maternity insurance, work-related injury insurance and medical insurance.

Pursuant to Opinions of the General Office of the State Council on Comprehensively Advancing Combined Implementation of Maternity Insurance and Basic Medical Insurance for Employees (《国务院办公厅关于全面推进生育保险和职工基本医疗保险合并实施的意见》), promulgated by the General Office of State Council on March 6, 2019, maternity insurance fund shall merge into the basic medical care insurance fund for employees so as to unify payment and harmonize consolidation level. The new ratio of employers' contribution to basic medical care insurance for employees is determined based on the aggregate of the ratios of employers' contribution to maternity insurance and basic medical care insurance for employees, and an individual is not required to pay for maternity insurance. Therefore, after March 6, 2019, our Company has no record of maternity insurance fund in the payment details of social security, since it has been merged into the basic medical care insurance fund.

Pursuant to the Social Insurance Law of the PRC (《中华人民共和国社会保险法》), which became effective on July 1, 2011 with last amendment on December 29, 2018, all employees are required to participate in basic pension insurance, basic medical insurance schemes and unemployment insurance, which must be contributed by both the employers and the employees. All employees are required to participate in work-related injury insurance and maternity insurance schemes, which must be contributed by the employers. Employers are required to complete registrations with local social insurance authorities. Moreover, the employers must timely make all social insurance contributions. Except for mandatory exceptions such as force majeure, social insurance premiums may not be paid late, reduced or be exempted. Where an employer fails to make social insurance contributions in full and on time, the social insurance contribution collection agencies shall order it to make all or outstanding contributions within a specified period and impose a late payment fee at the rate of 0.05% per day from the date on which the contribution becomes due. If such employer fails to make the overdue contributions within such time limit, the relevant administrative department may impose a fine equivalent to 1—3 times the overdue amount.

Pursuant to the Emergency Notice on Practicing Principles of the State Council Executive Meeting and Stabilizing Work on Collecting Social Insurance Premiums (《人力资源社会保障部办公厅关于贯彻落实国务院常务会议精神切实做好稳定社保费征收工作的紧急通知》), promulgated by the Ministry of Human Resources and Social Security on September 21, 2018, local authorities are prohibited from organizing the centralized settlement of historical unpaid social insurance premiums of enterprises.

Pursuant to the Administrative Regulations on the Housing Provident Fund (《住房公积金管理条例》) effective from April 3, 1999, amended on March 24, 2002 and March 24, 2019, enterprises are required to register with the competent administrative centers of housing provident fund and open bank accounts for housing provident funds for their employees. Employers are also required to timely pay all housing fund contributions for their employees. Where an employer fails to submit and deposit registration of housing provident fund or fails to go through the formalities of opening housing provident fund accounts for its employees, the housing provident fund management center shall order it to go through the formalities within a prescribed time limit. Failing to do so at the expiration of the time limit will subject the employer to a fine of not less than RMB10,000 and up to RMB50,000. When an employer fails to pay housing provident fund due in full and in time, housing provident fund center is entitled to order it to rectify, failing to do so would result in enforcement exerted by the court.

## **Regulations relating to Tax**

### ***Enterprise income tax***

According to the EIT Law, enacted on March 16, 2007, effective on January 1, 2008 and last amended on December 29, 2018 by the SCNPC and the Implementation Regulations for the Enterprise Income Tax Law of the PRC (《中华人民共和国企业所得税法实施条例》), enacted on December 6, 2007, amended and came into effect on April 23, 2019 by the State Council, and its relevant implementation regulations, taxpayers consist of resident enterprises and non-resident enterprises. Resident enterprises are defined as enterprises that are established in China in accordance with PRC laws, or that are established in accordance with the laws of foreign countries but whose actual or de facto control is administered from within the PRC. Non-resident enterprises are defined as enterprises that are set up in accordance with the laws of foreign countries and whose actual administration is conducted outside the PRC, but have established institutions or premises in the PRC, or have no such established institutions or premises but have income generated from inside the PRC. Under the EIT Law and relevant implementing regulations, a uniform corporate income tax rate of 25% is applicable. However, if nonresident enterprises have not formed permanent establishments or premises in the PRC, or if they have formed permanent establishment institutions or premises in the PRC but there is no actual relationship between the relevant income derived in the PRC and the established institutions or premises set up by them, the enterprise income tax is, in that case, set at the rate of 10% for their income sourced from inside the PRC.

Pursuant to the Notice on Preferential EIT Policies for Two Special Economic Development Zones of Kashi and Horgos in Xinjiang Uygur Autonomous Region (《关于新疆喀什霍尔果斯两个特殊经济开发区企业所得税优惠政策的通知》) promulgated by MOF and SAT on November 29, 2011 and the Implementation Opinions on Accelerating the Construction of Kashi and Horgos Economic Development Zones (《关于加快喀什、霍尔果斯经济开发区建设的实施意见》) promulgated by the Government of Xinjiang Uygur Autonomous Region of China on April 29, 2012, an enterprise established in Horgos or Kashi between January 1, 2010 and December 31, 2020 and fallen within the scope of the Catalogue of EIT Incentives for Industries Particularly Encouraged for Development by Poverty Areas of Xinjiang (新疆困难地区重点鼓励发展产业企业所得税优惠目录) shall be exempted from EIT for five years beginning from the first year in which the manufacturing or business operational revenue is earned. After the initial EIT exemption period, the enterprise is entitled to another five-year exemption on the local portion of its EIT.

#### **Value-added Tax**

Pursuant to the Provisional Regulations on VAT of the PRC (《中华人民共和国增值税暂行条例》) promulgated by the State Council on December 31, 1993, and subsequently amended on November 5, 2008, February 6, 2016 and November 19, 2017 respectively, and the Implementation Rules of the Provisional Regulations on VAT of the PRC (《中华人民共和国增值税暂行条例实施细则》) promulgated by MOF on December 25, 1993 and amended on December 15, 2008 and October 28, 2011 respectively, tax payers engaging in sale of goods, provision of processing services, repairs and replacement services or importation of goods within the territory of the PRC shall pay VAT.

On November 16, 2011, MOF and SAT jointly promulgated the Pilot Plan for Levying VAT in Lieu of Business Tax (《营业税改征增值税试点方案》). Starting from January 1, 2012, the PRC government has been gradually implementing a pilot program in certain provinces and municipalities to levy a 6% VAT on revenue generated from certain kinds of services in lieu of the business tax.

The Administrative Measures on Tax Exemption for Cross-border Acts Subject to VAT in the Pilot Scheme for Levying VAT in Place of Business Tax (for Trial Implementation) (《营业税改征增值税跨境应税行为增值税免税管理办法(试行)》), which was promulgated on May 6, 2016 by SAT and effective on May 1, 2016, and was amended on June 15, 2018, effective on the same day, provides that if a domestic enterprise provides cross-border taxable services such as technology transfer (provided to and received by overseas entities), technical consulting (provided to and received by overseas entities), and software service (provided to and received by overseas entities), technical consulting (provided to and received by overseas entities), the above mentioned cross-border taxable services shall be exempt from the VAT. Technical consulting services provided by a domestic enterprise are subject to zero-rated policies, but such taxpayer might choose to forfeit the application of zero rate and opt for the tax exemption.

On March 23, 2016, MOF and SAT jointly issued the Circular of Full Implementation of Business Tax to VAT Reform (the "Circular 36") (《关于全面推开营业税改征增值税试点的通知》), which was last amended by the Announcement of the Ministry of Finance, the State Taxation Administration and the General Administration of Customs on Relevant Policies for Deepening the Value-Added Tax Reform (《财政部、税务总局、海关总署关于深化增值税改革有关政策的公告》) on March 20, 2019 and came into effect on April 1, 2019, confirms that business tax will be completely replaced by VAT from May 1, 2016. The Notice of MOF and SAT on the Adjustment to VAT Rates (《关于调整增值税税率的通知》), promulgated on April 4, 2018 and effective as of May 1, 2018, adjusted the applicative rate of VAT. The deduction rates of 17% and 11% applicable to the taxpayers who have VAT taxable sales activities or imported goods are adjusted to 16% and 10%, respectively. For the export goods to which a tax rate of 17% was originally applicable and the export rebate rate was 17%, the export rebate rate is adjusted to 16%. For the export goods and cross-border taxable activities to which a tax rate of 11% was originally applicable and the export rebate rate was 11%, the export rebate rate is adjusted to 10%.

Pursuant to the Announcement on Relevant Policies for Deepening Value-Added Tax Reform (《关于深化增值税改革有关政策的公告》), which was promulgated by MOF, SAT and the General Administration of Customs on March 20, 2019 and became effective on April 1, 2019, where (i) for VAT taxable sales or imports of goods originally subject to value-added tax rates of 16%, such tax rates shall be adjusted to 13%; (ii) for the exported goods originally subject to a tax rate of 16% and an export tax refund rate of 16%, the export tax refund rate shall be adjusted to 13%.

### **Dividend withholding tax**

According to the EIT Law and its implementing rules, dividends paid to investors of an eligible PRC resident enterprise can be exempted from EIT and dividends paid to foreign investors are subject to a withholding tax rate of 10%, unless relevant tax agreements entered into by the PRC government provide otherwise.

The PRC and the government of Hong Kong entered into the Arrangement between the Mainland of the PRC and the Hong Kong Special Administrative Region for the Avoidance of Double Taxation and the Prevention of Fiscal Evasion with respect to Taxes on Incomes (《内地和香港特别行政区关于所得避免双重征税和防止偷漏税的安排》), or the Arrangement, on August 21, 2006. According to the Arrangement, 5% withholding tax rate shall apply to the dividends paid by a PRC company to a Hong Kong resident, provided that such Hong Kong resident directly holds at least 25% of the equity interests in the PRC company, and 10% of withholding tax rate shall apply if the Hong Kong resident holds less than 25% of the equity interests in the PRC company.

Pursuant to the Circular on Relevant Issues Relating to the Implementation of Dividend Clauses in Tax Treaties (《关于执行税收协议股息条款有关问题的通知》), which was promulgated by SAT and became effective on February 20, 2009, all of the following requirements shall be satisfied where a fiscal resident of the other party to a tax agreement needs to be entitled to such tax agreement treatment as being taxed at a tax rate specified in the tax agreement for the dividends paid to it by a PRC resident company: (i) such a fiscal resident who obtains dividends shall be a company as provided in the tax agreement; (ii) owner's equity interests and voting shares of the PRC resident company directly owned by such a fiscal resident reaches a specified percentage; and (iii) the equity interests of the PRC resident company directly owned by such a fiscal resident, at any time during the 12 months prior to obtaining the dividends, reach a percentage specified in the tax agreement.

According to the Tentative Administrative Measures on Tax Convention Treatment for Non-Residents (《非居民享受税收协定待遇管理办法(试行)》), which was promulgated by SAT on August 24, 2009 and became effective on October 1, 2009, where a non-resident enterprise that receives dividends from a PRC resident enterprise wishes to enjoy the favorable tax benefits under the tax arrangements, it shall submit an application for approval to the competent tax authority. Without being approved, the non-resident enterprise may not enjoy the favorable tax treatment provided in the tax agreements.

The Tentative Administrative Measures on Tax Convention Treatment for Non-Residents (《非居民享受税收协定待遇管理办法(试行)》) was repealed by the Administrative Measures on Tax Convention Treatment for Non-Resident Taxpayers (《非居民纳税人享受税收协议待遇管理办法》), which was promulgated by SAT on August 27, 2015 and became effective on November 1, 2015 with last amendment on June 15, 2018, where a non-resident enterprise that receives dividends from a PRC resident enterprise, it could directly enjoy the favorable tax benefits under the tax arrangements at tax returns, and subject to the subsequent regulation of the competent tax authority. The Administrative Measures on Tax Convention Treatment for Non-Resident Taxpayers has subsequently been repealed by the Administrative Measures on Treaty Benefits Treatment for Non-Resident Taxpayers (《非居民纳税人享受协定待遇管理办法》), promulgated by SAT on October 14, 2019 and became effective on January 1, 2020, which still adopts the same provisions as the Administrative Measures on Tax Convention Treatment for Non-Resident Taxpayers.

### **PRC Laws and Regulations relating to Foreign Exchange**

Pursuant to the Foreign Exchange Administration Regulations of the PRC (《中华人民共和国外汇管理条例》), as amended in August 2008, Renminbi is freely convertible for current account items, including the distribution of dividends, interest payments, trade and service-related foreign exchange transactions, but not for capital account items, such as direct investments, loans, repatriation of investments and investments in securities outside of China, unless the SAFE's prior approval is obtained and prior registration with the SAFE or its local counterpart is made. On May 10, 2013, the SAFE promulgated the Circular of the SAFE on Printing and Distributing the Administrative Provisions on Foreign Exchange in Domestic Direct Investment by Foreign Investors and Relevant Supporting Documents (《外国投资者境内直接投资外汇管理规定》) ("SAFE Circular No. 21"), which was amended on December 31, 2019. It provided for and simplified the operational steps and regulations on foreign exchange matters related to direct investment by foreign investors, including foreign exchange registration, account opening and use, receipt and payment of funds, and settlement and sales of foreign exchange.

Pursuant to the Notice of the SAFE on Further Improving and Adjusting Foreign Exchange Administration Policies for Direct Investment (《国家外汇管理局关于进一步改进和调整直接投资外汇管理政策的通知》) (“SAFE Circular No. 59”) promulgated by SAFE on November 19, 2012, that became effective on December 17, 2012 and was further amended on May 4, 2015, approval is not required for the opening of an account entry in foreign exchange accounts under direct investment. SAFE Circular No. 59 also simplified the capital verification and confirmation formalities for foreign invested entities, the foreign capital and foreign exchange registration formalities required for the foreign investors to acquire equities from Chinese party, and further improved the administration on exchange settlement of foreign exchange capital of foreign invested entities.

Pursuant to the Circular on Relevant Issues concerning Foreign Exchange Administration of Overseas Investment and Financing and Return Investments Conducted by Domestic Residents through Overseas Special Purpose Vehicles (《关于境内居民通过特殊目的公司境外投融资及返程投资外汇管理有关问题的通知》) (“SAFE Circular No. 37”), promulgated by the SAFE and which became effective on July 4, 2014, (1) a PRC resident (the “PRC Resident”) shall register with the local SAFE branch before he or she contributes assets or equity interests in an overseas special purpose vehicle (the “Overseas SPV”), that is directly established or controlled by the PRC Resident for the purpose of conducting investment or financing; and (2) following the initial registration, the PRC Resident is also required to register with the local SAFE branch for any major change, in respect of the Overseas SPV, including, among other things, a change of the Overseas SPV’s PRC Resident shareholder(s), name of the Overseas SPV, term of operation, or any increase or reduction of the Overseas SPV’s registered capital, share transfer or swap, and merger or division. Pursuant to SAFE Circular No. 37, failure to comply with these registration procedures may result in penalties.

Pursuant to the Circular of the SAFE on Further Simplifying and Improving the Direct Investment-related Foreign Exchange Administration Policies (《国家外汇管理局关于进一步简化和改进直接投资外汇管理政策的通知》) (“SAFE Circular No. 13”), which was promulgated on February 13, 2015 and became effective on June 1, 2015, the foreign exchange registration under domestic direct investment and the foreign exchange registration under overseas direct investment is directly reviewed and handled by banks in accordance with SAFE Circular No. 13, and the SAFE and its branches shall perform indirect regulation over the foreign exchange registration via banks.

### **Regulations relating to Foreign Investment**

Investment activities in the PRC conducted by foreign investors and foreign-owned enterprises shall comply with the Catalogue for the Guidance of Foreign Investment Industries (Revised in 2017) (《外商投资产业指导目录(2017年修订)》) (the “Catalogue”), which was promulgated jointly by MOFCOM and National Development and Reform Commission (“NDRC”) on June 28, 2017 and became effective on July 28, 2017, and which Catalogue contains specific provisions guiding market access of foreign capital. Under the Catalogue, foreign-invested industries are classified into two categories, namely (1) encouraged foreign-invested industries; and (2) foreign-invested industries which are subject to special administrative measures for access of foreign investment (the “Negative List”). The Negative List is further divided into restricted foreign-invested industries and prohibited foreign-invested industries, setting out restrictions such as shareholding requirements and qualifications of the senior management. Any industry not listed in the Negative List is a permitted industry.

On December 27, 2021, the Special Administrative Measures for the Access of Foreign Investment (Negative List) (外商投资准入特别管理措施(负面清单) (2021年版)) (the “Negative List 2021”), which was promulgated by NDRC and MOFCOM and became effective on January 1, 2022, replaced the Negative List 2020. Industries listed in the Negative List 2021 are divided into two categories with respect to foreign investment: restricted and prohibited. Industries not listed in the Negative List are generally deemed as falling under a third “permitted” category and are generally open to foreign investment unless otherwise specifically restricted by other PRC regulations.

Our principal businesses are precluded from the Negative List 2021 and is thus within a permitted industry for foreign investment.

## **Regulations relating to Foreign-Owned Enterprises**

The establishment, operation and management of corporate entities in China are governed by the Company Law of the PRC (《中华人民共和国公司法》) (the “PRC Company Law”), which was promulgated by the SCNPC on December 29, 1993 and last amended and became effective on October 26, 2018. Under the PRC Company Law, companies are generally classified into two categories, i.e., limited liability companies and joint stock limited companies. The PRC Company Law also applies to foreign-invested limited liability companies. According to the PRC Company Law, any stipulations by other PRC laws governing foreign investment shall prevail over the PRC Company Law.

Pursuant to the Law on Wholly Foreign-owned Enterprises of the PRC (《中华人民共和国外资企业法》) (the “Law on Wholly Foreign-owned Enterprises of the PRC”), which was promulgated by the SCNPC on April 12, 1986, last amended on September 3, 2016 and became effective on October 1, 2016, where the establishment of wholly foreign-owned enterprises does not involve the implementation of special access administrative measures prescribed by the state, the establishment, breakup, merger, or any other major change and the operation period of such enterprises are subject to record-filing administration.

The Implementing Rules for the Law on Wholly Foreign-owned Enterprises of the PRC (《中华人民共和国外资企业法实施细则》) (the “Implementing Rules on Wholly Foreign-owned Enterprises”) was promulgated by the State Council on December 12, 1990, then was amended on April 12, 2001 and February 19, 2014, and became effective on March 1, 2014. According to the Implementing Rules on Wholly Foreign-owned Enterprises, industries in which the establishment of wholly foreign-owned enterprises is prohibited or restricted shall be regulated in accordance with the provisions of the State about foreign investment orientation and the Catalogue.

The Law on Wholly Foreign-owned Enterprises of the PRC and the Implementing Rules on Wholly Foreign-owned Enterprises have been repealed by the Foreign Investment Law of the PRC (《中华人民共和国外商投资法》) (the “Foreign Investment Law”), which was adopted by the National People’s Congress on March 15, 2019 and came into effect on January 1, 2020. According to the Foreign Investment Law, the State shall implement the management systems of pre-establishment national treatment and negative list for foreign investment. The pre-establishment national treatment refers to the treatment given to foreign investors and their investments during the investment access stage, which is not lower than that given to their domestic counterparts. The negative list refers to special administrative measures for the access of foreign investment in specific fields as stipulated by the State. The State shall give national treatment to foreign investment beyond the negative list. The organization form, institutional framework and standard of conduct of a foreign-funded enterprise shall be subject to the provisions of the PRC Company Law and the Partnership Enterprise Law of the PRC (《中华人民共和国合伙企业法》) and other laws. Foreign investors shall not invest in any field forbidden by the negative list for access of foreign investment. For any field restricted by the negative list, foreign investors shall conform to the investment conditions as required in the negative list, and fields not included in the negative list shall be managed under the principle that domestic investment and foreign investment shall be treated uniformly.

The Law on Sino-Foreign Equity Joint Ventures of the PRC (《中华人民共和国中外合资经营企业法》), the Law on Wholly Foreign-owned Enterprises of the PRC (《中华人民共和国外资企业法》) and the Law on Sino-Foreign Cooperative Joint Ventures of the PRC (《中华人民共和国中外合作经营企业法》) were repealed simultaneously when the Foreign Investment Law came into effect on January 1, 2020, and foreign-funded enterprises which were established in accordance with such laws before the implementation of the Foreign Investment Law may retain their original organization forms and other aspects for five years upon the implementation hereof.

## **PRC Regulations Relating to Offshore Investments by PRC Residents**

SAFE promulgated 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 SPV 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.

Circular 37 was issued to replace Circular 75 (the Notice on Relevant Issues Concerning Foreign Exchange Administration for PRC Residents Engaging in Financing and Round-trip Investments via Overseas Special Purpose Vehicles). SAFE further enacted the Notice on Further Simplifying and Improving the Foreign Exchange Management Policies for Direct Investment effective from June 1, 2015, which allows PRC residents or entities to register with qualified banks in connection with their establishment or control of an offshore entity established for the purpose of overseas investment or financing. However, remedial registration applications made by PRC residents that previously failed to comply with Circular 37 continue to fall under the jurisdiction of the relevant local branch of SAFE. In the event that a PRC shareholder holding interests in a SPV fails to fulfill the required SAFE registration, the PRC subsidiaries of that SPV may be prohibited from distributing profits to the offshore parent and from carrying out subsequent cross-border foreign exchange activities, and the SPV may be restricted in its ability to contribute additional capital into its PRC subsidiary. Moreover, failure to comply with the various SAFE registration requirements described above could result in liability under PRC law for evasion of foreign exchange controls. As of the date of this annual report, four of our beneficial owners who are PRC residents have completed the registrations required by Circular 37.

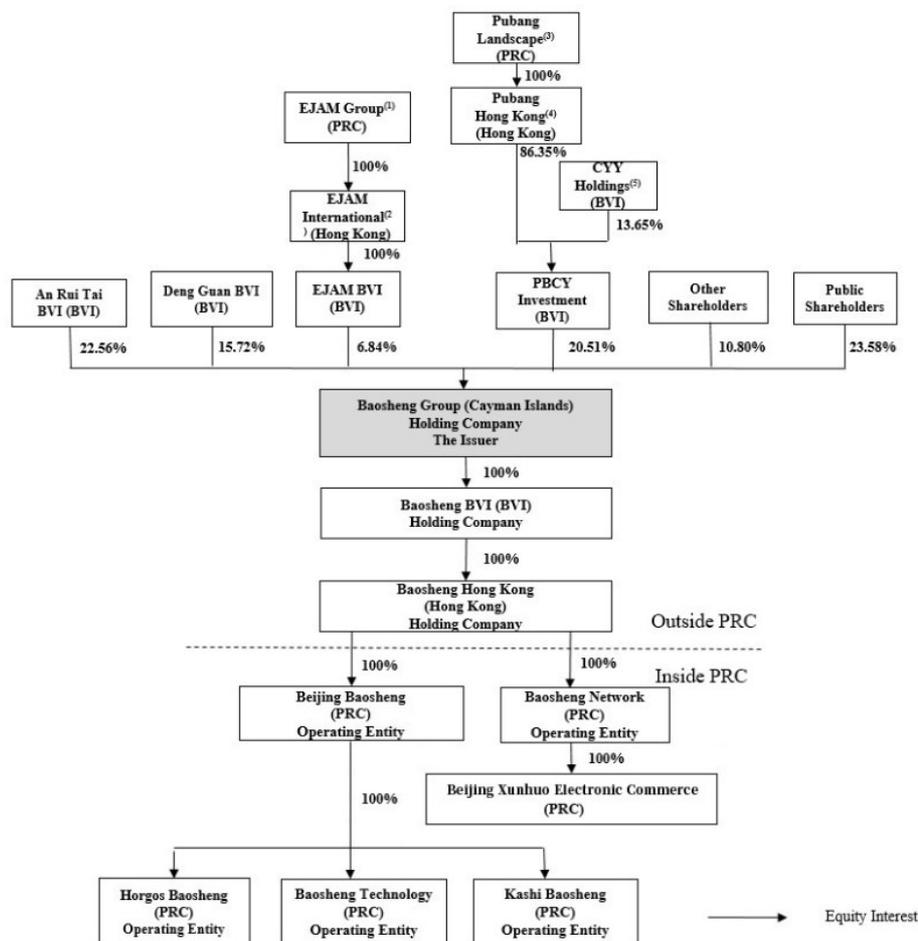
#### **Regulations relating to M&A and Overseas Listing**

The M&A Rules was promulgated by six PRC ministries including MOFCOM, the State-owned Assets Supervision and Administration Commission of the State Council, SAT, SAIC, CSRC and SAFE on August 8, 2006, became effective on September 8, 2006, and was amended and became effective on June 22, 2009. A foreign investor is required to comply with the M&A Rules when it: (1) acquires the equity of a domestic enterprise so as to convert the domestic enterprise into a foreign-invested enterprise; (2) subscribes for the increased capital of a domestic enterprise so as to convert the domestic enterprise into a foreign-invested enterprise; (3) establishes a foreign-invested enterprise through which it purchases the assets of any domestic enterprise and operates these assets; or (4) purchases the assets of a domestic enterprise, and then invests such assets to establish a foreign-invested enterprise. The M&A Rules, among other things, further prescribed that a special purpose vehicle, formed for overseas listing purposes and controlled directly or indirectly by PRC companies or individuals, shall be approved by MOFCOM prior to its establishment and obtain the approval of the CSRC prior to the listing and trading of such special purpose vehicle's securities on an overseas stock exchange.

Pursuant to the Manual of Guidance on Administration for Foreign Investment Access (《外商投资准入管理指引手册》), which was issued and became effective on December 18, 2008 by MOFCOM, notwithstanding the fact that (1) the domestic shareholder is connected with the foreign investor or not; or (2) the foreign investor is the existing shareholder or the new investor, the M&A Rules shall not apply to the transfer of an equity interest in an incorporated foreign-invested enterprise from the domestic shareholder to the foreign investor.

### C. Organizational Structure

The following diagram illustrates our current corporate structure, which includes our significant subsidiaries as of the date of this annual report:



For details of each shareholder’s ownership, please refer to the beneficial ownership table in “Item 6. Directors, Senior Management and Employees — 6.E. Share Ownership.”

**Notes:**

1. “EJAM Group” represents EJAM Group Co., Ltd., a joint stock company established in the PRC with limited liability on November 23, 2010, whose shares are quoted on the National Equities Exchange and Quotations (全国中小企业股份转让系统) (stock code: 834498), and is a financial investor of our Company and one of our pre-IPO investors.
2. “EJAM International” represents EJAM International Limited, a company formed in Hong Kong with limited liability in November 2015 and is a direct wholly owned subsidiary of EJAM Group.

3. “Pubang Landscape” represents Pubang Landscape Architecture Co., Ltd., a joint stock company established in the PRC with limited liability on July 19, 1995, whose shares are listed on the Shenzhen Stock Exchange (stock code: 002663.SZ), and is a financial investor of our Company and one of our pre-IPO investors.
4. “Pubang Hong Kong” represents Pubang Landscape Architecture (HK) Co., Ltd., a company formed in Hong Kong with limited liability in September 2013 and is a direct wholly owned subsidiary of Pubang Landscape.
5. “CYY Holdings” represents CYY Holdings Limited, a business company formed in the BVI with limited liability in November 2013 and is wholly owned by Mr. Yick Yan Chan.

#### **D. Property, Plants and Equipment**

Our corporate headquarter is located in Beijing, China. We use the ten properties we own and one property we lease from an unrelated third party in Horgos as office spaces with an aggregate gross floor area of approximately 11,296.28 ft<sup>2</sup>. We lease four properties as office spaces in Beijing, Shanghai, and Kashi, from unrelated third parties under operating lease agreements. We believe that our existing facilities are generally adequate to meet our current needs, but we expect to seek additional space as needed to accommodate future growth.

#### **ITEM 4.A. UNRESOLVED STAFF COMMENTS**

None.

#### **ITEM 5. OPERATING AND FINANCIAL REVIEW AND PROSPECTS**

*The following discussion of our financial condition and results of operations is based upon and should be read in conjunction with our consolidated financial statements and their related notes included elsewhere in this annual report. This annual report contains forward-looking statements. See “Forward-Looking Information” in this annual report. In evaluating our business, you should carefully consider the information provided under the caption “Item 3. Key Information—D. Risk Factors” in this annual report. We caution you that our businesses and financial performance are subject to substantial risks and uncertainties.*

##### **A. Operating Results**

###### **Overview**

We are an online marketing solution provider based in China. We are dedicated to helping advertisers manage their online marketing activities to achieve their business goals. Founded in 2014, our business has grown rapidly from a start-up online marketing agency to a multi-channel online marketing solution provider. We advise advertisers on online marketing strategies, offer value-added advertising optimization services and facilitate the deployment of online ads in various forms such as search ads, in-app ads, mobile app ads and social media marketing ads. At the same time, as authorized agencies of some popular online media, we help online media to procure advertisers and facilitate ad deployment on their advertising channels.

Along with the further penetration of the Internet, particularly on mobile devices, we believe an increasing number of advertisers would use online advertising channels because of their unlimited geographic coverage, promptness and inclusivity. With our experience in the online advertising industry and insights on industry trends, we are well-positioned to capture the opportunities offered by the continued rapid growth of the online marketing industry.

###### ***Our service categories***

Our advertising services are classified into two categories:

- SEM services, which include the deployment of ranked search ads and other display search ads offered by search engine operators; and

- Non-SEM services, which include social media marketing, in-feed advertising, and mobile app advertising by deploying ads on media such as social platforms, short-video platforms, news portals, and mobile apps in the forms of in-feed ads, banner ads, button ads, interstitial ads, and posts on selected social media accounts.

We regard our business value as revolving around our ability to serve the needs of two major business stakeholders: advertisers and media. On one hand, with our experience and insights in the online advertising industry, we help advertisers to effectively carry out their advertising campaigns by offering advices on online advertising strategies, carrying out advertising optimization and facilitating the deployment of online ads. On the other hand, we help media to connect with advertisers and facilitate the monetization of their advertising resources.

We have built a broad and diverse advertiser base from a broad range of industries, including ecommerce and online service platforms, online travel agencies, financial services, online gaming, car services and advertising agencies, among others. For the years ended December 31, 2021, 2020 and 2019, the number of advertisers (including direct advertisers and third party advertising agencies subscribing our services on behalf of their advertising clients) were 462, 410 and 438, respectively. However because the new advertisers contributed lower gross billing than our existing advertisers, our gross billing were \$54.7 million, \$134.9 million and \$202.7 million, respectively. For the years ended December 31, 2021, 2020 and 2019, top five advertisers contributed 44.8%, 47.5% and 37.7% of total gross billing, respectively.

We earn rebates and incentives from media or their authorized agencies (collectively “publishers”) for procuring advertisers to place ads with them, or net fees from advertisers when we purchase ad inventory and advertising services from media and other advertising service providers on their behalf. As such, our customers are comprised of publishers and advertisers. We recognize revenues on a net basis as either rebates and incentives from publishers or net fees from advertisers. For the years ended December 31, 2021, 2020, and 2019, we generated rebates and incentives from publishers of \$3.7 million, \$9.4 million, and \$16.0 million, respectively, and net fees from advertisers of \$0.2 million, \$2.5 million and \$1.9 million, respectively.

For the year ended December 31, 2021, our decrease in gross billings and revenues as compared with those of the year ended December 31, 2020 was mainly caused by the decrease in gross billing and revenue from Sogou. Sogou was our top publisher for the years ended December 31, 2020 and 2019. For the years ended December 31, 2020 and 2019, Sogou contributed gross billing of \$82.2 million and \$107.0 million, and revenues of \$8.1 million and \$7.9 million, respectively. However, our annual authorized agency agreement with Sogou expired in March 2021, which was not renewed subsequently. We did not act as the authorized agent of Sogou since April 2021. As a result of this, our revenue generated from SEM services with Sogou for the year ended December 31, 2021 declined substantially as compared with the year ended December 31, 2020.

In addition, in the first half of 2021, we entered into authorized agency agreements with both Alibaba and ByteDance, respectively, focusing on the advertising agency services for advertisers in the education industry. However, due to the spread of unofficial news (which was officially announced in July 2021) related to new governmental regulations restricting off-campus tutoring for students undergoing compulsory education in the education industry since mid-April 2021, our advertisers in the education industry adopted conservative business strategies and decreased their advertising spends. As a result, the purchasing orders from our advertisers were negatively impacted and the rebates and incentives earned from Alibaba and ByteDance were below expectations.

#### ***Gross billing and media costs***

Gross billing is defined as the actual dollar amount of advertising spend of our advertisers, net of any rebates and discounts given by us to the advertisers (if any). We use gross billing to assess the business growth, market share and scale of operations.

Media cost represents the cost for acquisition of ad inventory or other advertising services from media and other advertising service providers, offset by rebates and incentives we receive from the relevant media and advertising service providers (if any).

## **Factors Affecting Our Results of Operations and Trend Information**

### ***Size and spending of advertiser base***

We earn revenue in the form of (i) rebates and incentives offered by publishers for procuring advertisers to place ads with them, which are usually calculated with reference to the advertising spend of the advertisers and are closely correlated to the gross billing from advertisers, netting of rebates to advertisers (if any); and (ii) the net fees from advertisers, which are essentially the fees we charge advertisers (i.e. gross billing) net of the media costs and other costs of procuring advertising services we incur on their behalf. Accordingly, our revenue base and our profitability are very much driven by our gross billing with advertisers, and the relevant media's rebate policies which determine, among other things, the rates of rebates we receive from media (or their authorized agencies). The rebates and incentives we receive from media are calculated as a percentage of the total advertising spend of the advertisers procured by us in a given period, with the percentage typically ranging from 10% to 20%. See "Item 4. Information on the Company—B. Business Overview — Revenue Model and Payment Cycle — Rebates and incentives from publishers — Rebates and incentives offered by media (or their authorized agencies)" for details.

The willingness of advertisers to spend their online advertising budget through us is critical to our business and our ability to generate gross billing. Our advertisers' demand for advertising services can be influenced by a variety of factors including:

- 1 Macro-economic and social factors: domestic, regional and global social, economic and political conditions (such as concerns over a severe or prolonged slowdown in China's economy and threats of political unrest), economic and geopolitical challenges (such as trade disputes between countries such as the United States and China), economic, monetary and fiscal policies (such as the introduction and winding-down of qualitative easing programs).
- 2 Industry-related factors: such as the trends, preferences and habits of audiences towards online media and their receptiveness towards online advertising as well as the development of emerging and varying forms of online media and contents.
- 3 Advertiser-specific factors: an advertiser's specific development strategies, business performance, financial condition and sales and marketing plans.

A change in any of the above factors may result in significant cutbacks on advertising budgets by advertisers, which would not only result in a reduction of our revenue, but would also weaken our negotiating position with media on rebate policies and negatively impact our ability to earn advertising spend-driven rebates and incentives from media.

### ***Rebate policies offered from publishers and those offered to advertisers***

Publishers may change the rebate and incentive policies offered to us based on prevailing economic outlook, competitive landscape of the online advertising market, and their own business strategy and operational targets. For instance, a media may reduce the rate of rebate offered to us for reason of changes in its business strategies, resource reallocation, increased popularity and demand for their media resources, etc., or may adjust their incentive programs or their benchmarks and measuring parameters for incentive offerings based on their changing marketing and target audience strategies. If media impose rebate and incentive policies that are less favorable to us, our revenue, results of operations and financial condition may be adversely affected.

On the other hand, we may offer rebates to our advertisers. The level of rebates we offer to our advertisers is determined case by case with reference to the rebates and incentives we are entitled to receive from the relevant media (or its authorized agency), an advertiser's committed total spend, our business relationships with such advertiser and the competitive landscape in the online advertising industry. If it emerges that an increase in the rate of rebate to our advertisers is necessary for us to remain competitive or align with the emerging competitive environment, our revenue and profitability may reduce.

### ***Our ability to attract new media and to maintain relationship with existing media***

We have established and maintained relationships with a wide range of media and their authorized agencies, as well as agencies of KOLs, which offer our advertisers diverse choices of ad formats, including search ads, in-feed ads, mobile app ads and social media ads. Our future growth will depend on our ability to maintain our relationships with existing media partners as well as building partnerships with new media.

In particular, we act as authorized agency for some popular online media to help them procure advertisers to buy their ad inventory and facilitate ad deployment on their advertising channels. As media's authorized agency, our relationships with the media are mainly governed by agency agreements which provide for, among other things, credit periods and the rebate policies offered to us. These agency agreements typically have a term of one year, and are subject to renewal upon expiry. The commercial terms under the agency agreements are subject to renegotiation when they are renewed. Besides, media usually retain the right to terminate the authorized agency relationship based on business needs at their discretion.

If any media ends its cooperative relationship with us or terminates our authorized agency status, or imposes commercial terms which are less favorable to us, or we fail to secure partnerships with new media partners, we may lose access to the relevant advertising channels, sustain advertiser deflection, and suffer revenue drop.

### ***Impact of COVID-19 on our business***

Our business could be adversely affected by the effects of epidemics. The COVID-19 pandemic has spread around the world. Our headquarters is located in Beijing, China. Due to the COVID-19 pandemic, we and some of our business partners have implemented temporary measures and adjustments of work schemes to allow employees to work from home and collaborate remotely. We have taken measures to reduce the impact of the COVID-19 outbreak, including, but not limited to, upgrading our telecommuting system, monitoring employees' health on a daily basis and optimizing technology system to support potential growth in user traffic. In the short term, the COVID-19 pandemic has created uncertainties and risks. With the work resumption within China, we expect our gross billing and revenues on a net basis will continue to increase in the long-term. Based on the current situation, we do not expect a significant impact on our operations and financial results in the long run. The extent to which COVID-19 impacts our results of operations will depend on the future development of the circumstances, which is highly uncertain and cannot be predicted with confidence at this time.

We earned gross billing in the amount of \$54.7 million for the year ended December 31, 2021, a decrease of \$80.2 million, or 59%, from \$134.9 million for the year ended December 31, 2020. Due to the higher media costs charged by publishers, our revenues on a net basis for the year ended December 31, 2021 decreased by approximately \$8.0 million, or 67.2%, as compared with the fiscal year ended December 31, 2020. In addition to the impact of COVID-19, which led to decreased orders from our advertisers, the decrease of gross billing and revenues was mainly due to the fact that we did not act as the authorized agent of Sogou since April 2021, which was our top publisher for the years ended December 31, 2020 and 2019. For the years ended December 31, 2020 and 2019, SEM services with Sogou contributed gross billings of \$82.2 million and \$107.0 million, respectively, while for the year ended December 31, 2021, SEM services with Sogou contributed gross billings of \$18.2 million. The sharp decrease in gross billings resulted in a decrease of rebates and incentives earned from Sogou, which were both calculated as a percentage of gross billings. For the year ended December 31, 2021, our revenues from Sogou were \$2.0 million, representing a decrease of \$6.1 million from \$8.1 million for the year ended December 31, 2020.

Additionally, as affected by the COVID-19 pandemic and stricter governmental regulations against education industry, financial industry and gaming industry, our advertisers slowed down the payments processing procedures. For the year ended December 31, 2021, we witnessed a longer turnover days in accounts receivable due from mobile app ads advertisers. To mitigate the adverse impact on our cash flows, we reduced our services provided to mobile apps customers in the fiscal year 2021. In addition, we also provided higher allowance on doubtful accounts of accounts receivable, prepayments and other current assets.

Our operations could be disrupted if one of our employees is suspected of COVID-19 or another epidemic disease, as it may require our employees to be quarantined and/or require us to close our offices. In addition, our results of operations could be adversely affected to the extent that the outbreak harms the overall economy in the PRC and the advertising industry in particular.

## Results of Operations for the Years Ended December 31, 2021 and 2020

The following table summarizes the results of our operations during the years ended December 31, 2021 and 2020, respectively, and provides information regarding the dollar and percentage increase or (decrease) during such years.

	For the years ended December 31,		Variance	
	2021	2020	Amount	%
Revenues	\$ 3,911,560	\$ 11,911,229	\$ (7,999,669)	(67.2)%
Cost of revenues	(2,077,516)	(1,256,353)	(821,163)	65.4 %
<b>Gross profit</b>	<b>1,834,044</b>	<b>10,654,876</b>	<b>(8,820,832)</b>	<b>(82.8)%</b>
<b>Operating expenses</b>				
Selling and marketing expenses	(1,086,078)	(947,834)	(138,244)	14.6 %
General and administrative expenses	(2,856,789)	(2,103,263)	(753,526)	35.8 %
Provision for doubtful accounts	(6,880,008)	(1,960,604)	(4,919,404)	250.9 %
Impairment of property and equipment	(434,878)	–	(434,878)	100 %
Total operating expenses	<b>(11,257,753)</b>	<b>(5,011,701)</b>	<b>(6,246,052)</b>	<b>124.6 %</b>
<b>(Loss) Income from operations</b>	<b>(9,423,709)</b>	<b>5,643,175</b>	<b>(15,066,884)</b>	<b>(267.0)%</b>
<b>Other income (expenses)</b>				
Interest expense, net	(57,109)	(183,896)	126,787	(68.9)%
Change in fair value of warrant liabilities	2,367,632	–	2,367,632	100 %
Subsidy income	574,878	955,439	(380,561)	(39.8)%
Other (expenses) income, net	(209,145)	638,611	(847,756)	(132.7)%
<b>Total other income, net</b>	<b>2,676,256</b>	<b>1,410,154</b>	<b>1,266,102</b>	<b>89.8 %</b>
<b>(Loss) Income before income taxes</b>	<b>(6,747,453)</b>	<b>7,053,329</b>	<b>(13,800,782)</b>	<b>(195.7)%</b>
Income tax expense	–	(108,638)	108,638	(100.0)%
<b>Net (loss) income</b>	<b>\$ (6,747,453)</b>	<b>\$ 6,944,691</b>	<b>\$ (13,692,144)</b>	<b>(197.2)%</b>

### Revenues

We primarily generate our revenues from providing online marketing solutions. We recognize all our revenues on a net basis, which comprises of (i) rebates and incentives offered by publishers for procuring advertisers to place ads with them, which are typically calculated with reference to the advertising spend of our advertisers and are closely correlated to our gross billing from advertisers; and (ii) net fees from advertisers, which are essentially the fees we charge our advertisers (i.e. gross billing) net of the media costs we incurred on their behalf.

Our total revenues decreased by \$8.0 million or 67.2%, from \$11.9 million for the year ended December 31, 2020, to \$3.9 million for the year ended December 31, 2021. The following table sets forth a breakdown of our revenues:

	For the Years Ended December 31,				Variance	
	2021	%	2020	%	Amount	%
Rebates and incentives offered by publishers	\$ 3,663,168	93.6 %	\$ 9,430,758	79.2 %	\$ (5,767,590)	(61.2)%
Net fees from advertisers	248,392	6.4 %	2,480,471	20.8 %	(2,232,079)	(90.0)%
<b>Total</b>	<b>\$ 3,911,560</b>	<b>100.0 %</b>	<b>\$ 11,911,229</b>	<b>100.0 %</b>	<b>\$ (7,999,669)</b>	<b>(67.2)%</b>

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The rebates and incentives offered by publishers decreased by \$5.7 million, or 61.2%, from \$9.4 million for the year ended December 31, 2020 to \$3.7 million for the year ended December 31, 2021, which was mainly caused by the decrease of \$6.1 million in revenue from Sogou, as the authorized agency agreement between the Company and Sogou expired on March 31, 2021. Sogou was our top publisher for the year ended December 31, 2020. In the first half of 2021, we entered into authorized agency agreements with both Alibaba and ByteDance, respectively, focusing on the provision of advertising agency services for advertisers in the education industry. However, due to the spread of unofficial news (which was officially announced in late July 2021) related to new governmental regulations restricting off-campus tutoring for students undergoing compulsory education in on the education industry since mid-April 2021, our advertisers in the education industry adopted conservative business strategies and decreased the number of their advertising services orders. As a result, the purchasing orders from our advertisers were negatively impacted and the rebates and incentives we earned from Alibaba and ByteDance were below expectations.

The net fees from advertisers decreased by \$2.3 million, or 90.0%, to \$0.2 million for the year ended December 31, 2021 from \$2.5 million for the year ended December 31, 2020. The decrease was mainly caused by the decrease of \$2.3 million in net fees earned from advertisers for mobile app ad services. Because advertisers of mobile app ad services were affected by the COVID-19 pandemic and required a long extension of credit from us, we reduced the amount of services rendered to such advertisers for the year ended December 31, 2021.

The following table sets forth a breakdown of revenues by services offered during the years ended December 31, 2021 and 2020:

	For the years ended December 31,		Variance	
	2021	2020	Amount	%
<b>SEM services</b>				
Gross billing	\$ 22,618,957	\$ 83,441,991	\$ (60,823,034)	(72.9)%
Less: Media costs	20,169,837	75,276,377	(55,106,540)	(73.2)%
<i>(as % of gross billing)</i>	89.2 %	90.2 %		
<b>Revenue from SEM services</b>	<b>\$ 2,449,120</b>	<b>\$ 8,165,614</b>	<b>\$ (5,716,494)</b>	<b>(70.0)%</b>
<b>Non-SEM services</b>				
Gross billing	\$ 32,113,575	\$ 51,442,185	\$ (19,328,610)	(37.6)%
Less: Media costs	30,651,135	47,696,570	(17,045,435)	(35.7)%
<i>(as % of gross billing)</i>	95.4 %	92.7 %		
<b>Revenue from Non-SEM services</b>	<b>\$ 1,462,440</b>	<b>\$ 3,745,615</b>	<b>\$ (2,283,175)</b>	<b>(61.0)%</b>
<b>Revenues</b>	<b>\$ 3,911,560</b>	<b>\$ 11,911,229</b>	<b>\$ (7,999,669)</b>	<b>(67.2)%</b>

The revenues from SEM services consist of rebates and incentives offered by publishers. The revenues from SEM services decreased by \$5.8 million, or 70.0%, to \$2.4 million for the year ended December 31, 2021 from \$8.2 million for the year ended December 31, 2020. The decrease in revenues from SEM services was primarily due to a decrease of \$6.1 million, or 75.8% of revenues from Sogou as we has not provided agency services to Sogou since April 2021.

The revenues from non-SEM services consist of both rebates and incentives offered by publishers and the net fees from advertisers. The revenues from non-SEM services decreased by \$2.2 million, or 61.0%, to \$1.5 million for the year ended December 31, 2021 from \$3.7 million for year ended December 31, 2020. Such decrease was mainly due to a decrease of \$2.3 million in revenues generated from mobile app ads placed by our existing advertisers, as their business operations were affected by the COVID-19 pandemic and required longer credit term. As such, the Company reduced its provision of mobile app services for the year ended December 31, 2021.

### Cost of revenues

Our total cost of revenues increased by \$0.8 million or 65.4%, from \$1.3 million for the year ended December 31, 2020, to \$2.1 million for the year ended December 31, 2021. The following table sets forth a breakdown of our cost of revenues by services offered for the years ended December 31, 2021 and 2020:

	For the years ended December 31,				Variance	
	2021	%	2020	%	Amount	%
SEM services	\$ 1,662,013	80.0 %	\$ 1,005,082	80.0 %	\$ 656,931	65.4 %
Non-SEM services	415,503	20.0 %	251,271	20.0 %	164,232	65.4 %
<b>Total</b>	<b>\$ 2,077,516</b>	<b>100.0 %</b>	<b>\$ 1,256,353</b>	<b>100.0 %</b>	<b>\$ 821,163</b>	<b>65.4 %</b>

Given that the revenues are recognized on a net basis, the cost of revenues was primarily comprised of payroll and welfare expenses incurred by staff responsible for advertiser services and media relations, and taxes and surcharges.

The increase was primarily attributable to an increase of staff costs by \$0.9 million, or 76.3%, as a result of an increase of 46 additional employees (based on monthly average headcount) hired for agency services for Alibaba and ByteDance. The Company employed staff who were expert in producing short video clips and flow media for these two customers. However, as they were affected by the Chinese government's policies on the educational industry, the two customers contributed less revenue than previously forecasted.

### Gross profit

As a result of changes in revenue and cost of revenues, our gross profit decreased by \$8.8 million, or 82.8% from \$10.7 million for the year ended December 31, 2020 to \$1.8 million for the year ended December 31, 2021. The following table sets forth a breakdown of gross profit by services offered for the year ended December 31, 2021 and 2020:

	For the years ended December 31,				Variance	
	2021	%	2020	%	Amount	%
SEM services	\$ 787,107	42.9 %	\$ 7,160,532	67.2 %	\$ (6,373,425)	(89.0)%
Non-SEM services	1,046,937	57.1 %	3,494,344	32.8 %	(2,447,407)	(70.0)%
<b>Total</b>	<b>\$ 1,834,044</b>	<b>100.0 %</b>	<b>\$ 10,654,876</b>	<b>100.0 %</b>	<b>\$ (8,820,832)</b>	<b>(82.8)%</b>

### Operating expenses

Our operating expenses increased by \$6.3 million, or 124.6%, from \$5.0 million for the year ended December 31, 2020, to \$11.3 million for the year ended December 31, 2021. The following table sets forth a breakdown of our operating expenses for the years ended December 31, 2021 and 2020:

	For the years ended December 31,				Variance	
	2021	%	2020	%	Amount	%
<b>Revenues</b>	<b>\$ 3,911,560</b>	<b>100 %</b>	<b>\$ 11,911,229</b>	<b>100 %</b>	<b>\$ (7,999,669)</b>	<b>(67.2)%</b>
<b>Operating expenses</b>						
Selling and marketing expenses	1,086,078	27.8 %	947,834	8.0 %	138,244	14.6 %
General and administrative expenses	2,856,789	73.0 %	2,103,263	17.7 %	753,526	35.8 %
Provision for doubtful accounts	6,880,008	175.9 %	1,960,604	16.5 %	4,919,404	250.9 %
Impairment of property and equipment	434,878	11.1 %	–	0 %	434,878	100 %
<b>Total operating expenses</b>	<b>\$ 11,257,753</b>	<b>287.8 %</b>	<b>\$ 5,011,701</b>	<b>42.1 %</b>	<b>\$ 6,246,052</b>	<b>124.6 %</b>

**Selling and marketing expenses**

Selling and marketing expenses primarily included payroll and welfare expenses incurred by sales and marketing personnel, business travel expenses, and entertainment expenses. Selling expenses increased by \$0.2 million, or 14.6%, from \$0.9 million for the year ended December 31, 2020 to \$1.1 million for the year ended December 31, 2021. This increase in selling expenses was primarily due to an increase of \$0.4 million in salary and welfare expenses because we employed more sales staff to provide agency services for ByteDance, a newly acquired customer in the year 2021, and we did not enjoy the COVID-19 related temporary social insurance contribution exemption as we did in 2020, partially offset by a decrease of \$0.2 million in entertainment expenses as we decreased our marketing and promotion expenditures as a result of decrease of revenues.

**General and administrative expenses**

General and administrative expenses primarily consist of payroll and welfare expenses incurred by administration department as well as management, operating lease expenses for office rentals, depreciation and amortization expenses, travelling and entertainment expenses, and consulting and professional fees. General and administrative expenses increased by \$0.8 million, or 35.8%, from \$2.1 million for the year ended December 31, 2020 to \$2.9 million for the year ended December 31, 2021. The increase was primarily due to (i) \$0.3 million incurred by us for directors and officers insurance since our listing on NASDAQ in February 2021, and (ii) an increase of \$0.3 million in rental expenses as in March 2021, we relocated to a new office space with a higher monthly rent.

**Provision for doubtful accounts**

The following table sets forth a breakdown of provision for doubtful accounts for the years ended December 31, 2021 and 2020:

	<b>For the years ended December 31,</b>		<b>Variances</b>	
	<b>2021</b>	<b>2020</b>	<b>Amount</b>	<b>%</b>
Provision for doubtful accounts receivables	\$ 4,155,246	\$ 1,960,604	\$ 2,194,642	111.9 %
Provision for doubtful prepayments	2,668,421	–	2,668,421	100 %
Provision for doubtful other current assets	56,341	–	56,341	100 %
	<b>\$ 6,880,008</b>	<b>\$ 1,960,604</b>	<b>\$ 4,919,404</b>	<b>250.9 %</b>

**Provision for doubtful accounts receivables**

Provision for doubtful accounts receivable increased by \$2.2 million, or 111.9%, from \$2.0 million for the year ended December 31, 2020 to \$4.2 million for the year ended December 31, 2021. The increase was primarily because some of our mobile app ads advertisers were adversely affected by both the COVID-19 pandemic and stricter governmental regulations affecting the financial and insurance industry, education industry and gaming industry. Accordingly, our advertisers in these industries slowed down payments of accounts receivables and required us to provide longer credit terms. We provided increasing allowances on accounts receivables due from these advertisers according to the Company's provision policy.

**Provision for doubtful prepayments**

Provision for doubtful prepayments was \$2.7 million and \$nil for the years ended December 31, 2021 and 2020. Such prepayments were made to certain publishers for purpose of lock in media cost. However as they were affected by COVID-19, the Company did not place advertising service orders with these publishers over the past two years, and the Company provided full allowance against these prepayments because the prepayment aged over two years and the Company was uncertain if it could obtain the services underlying the prepayments or to be refunded.

**Impairment of property and equipment**

For the year ended December 31, 2021, the Company provided impairment of \$0.4 million on 1,000 miners accordingly to its subsequent sale price. These miners were not put into use during the year ended December 31, 2021, and was sold in the end of February 2022.

***Interest expense, net***

Interest expense primarily arise from the loans we obtained from bank borrowings. Interest expense, net decreased by \$0.1 million, or 68.9%, from \$0.2 million for the year ended December 31, 2020 to \$0.1 million for the year ended December 31, 2021, which was mainly attributable to a decrease of the weighted average outstanding loan balance from \$2.7 million for the year ended December 31, 2020 to \$2.3 million for the year ended December 31, 2021, and a decrease of the weighted average interest rate from 5.78% for the year of 2020 to 4.01% for the year of 2021.

***Change in fair value of warrant liabilities***

The change in fair value of warrant liability for the year ended December 31, 2021 represents a net remeasurement gain of \$2.4 million for the private placement warrants, which were issued to two investors in connection with our private placement of \$10.0 million on March 18, 2021. The fair value of the warrants as of March 18, 2021 and December 31, 2021 was estimated to be \$2.4 million and \$3 thousand, respectively, by using the Black-Scholes valuation model. The change in fair value as of December 31, 2021 as compared to that of March 18, 2021 amounted to \$2.4 million, which was recognized in the consolidated statements of operations.

***Subsidy income***

Subsidy income for the year ended December 31, 2021 primarily consisted of subsidy income from local tax authority of \$0.6 million. Subsidy income for the year ended December 31, 2020 primarily consisted of subsidy income from local tax authority of \$0.9 million and \$0.03 million received from a local government to promote and attract investment and setting up of business.

***Other (expenses) income, net***

For the year ended December 31, 2021, other expenses, net primarily consisted of loss from nonrefundable rental deposits of \$0.1 million and nondeductible input value-added taxes of \$0.1 million. Other income, net primarily consisted of gain from disposal of the intangible asset, copyrights, of \$0.6 million for the year ended December 31, 2020.

***Income tax expense***

Income tax expense was \$nil for the year ended December 31, 2021, as compared to income tax benefits of \$0.1 million for the year ended December 31, 2020. For the year ended December 31, 2021, we incurred net operating losses and were not subject to income tax expenses. For the year ended December 31, 2020, the income tax expense arose from the valuation allowance on deferred tax assets recognized for Beijing Baosheng as of December 31, 2019 due to uncertainties surrounding future utilization.

***Net (Loss) Income***

As a result of the foregoing, we reported a net loss of \$6.7 million for the year ended December 31, 2021, as compared to a net income of \$6.9 million for the year ended December 31, 2020.

## Results of Operations for the Years Ended December 31, 2020 and 2019

The following table summarizes the results of our operations during the years ended December 31, 2020 and 2019, respectively, and provides information regarding the dollar and percentage increase or (decrease) during such years.

	For the years ended December 31,		Variance	
	2020	2019	Amount	%
Revenues	\$ 11,911,229	\$ 17,846,900	\$ (5,935,671)	(33.3)%
Cost of revenues	(1,256,353)	(1,855,164)	598,811	(32.3)%
Gross profit	<b>10,654,876</b>	<b>15,991,736</b>	<b>(5,336,860)</b>	<b>(33.4)%</b>
<b>Operating expenses</b>				
Selling and marketing expenses	(947,834)	(411,391)	(536,443)	130.4 %
General and administrative expenses and provision for doubtful accounts	(4,063,867)	(5,129,987)	1,066,120	(20.8)%
Total operating expenses	<b>(5,011,701)</b>	<b>(5,541,378)</b>	<b>529,677</b>	<b>(9.6)%</b>
<b>Income from operations</b>	<b>5,643,175</b>	<b>10,450,358</b>	<b>(4,807,183)</b>	<b>(46.0)%</b>
<b>Other income (expenses)</b>				
Interest expense, net	(183,896)	(48,311)	(135,585)	280.7 %
Subsidy income	955,439	819,755	135,684	16.6 %
Other income (expenses), net	638,611	(65,754)	704,365	(1,071.2)%
Total other income, net	<b>1,410,154</b>	<b>705,690</b>	<b>704,464</b>	<b>99.8 %</b>
<b>Income before income taxes</b>	<b>7,053,329</b>	<b>11,156,048</b>	<b>(4,102,719)</b>	<b>(36.8)%</b>
Income tax (expense) benefit	(108,638)	18,528	(127,166)	(686.3)%
<b>Net income</b>	<b>\$ 6,944,691</b>	<b>\$ 11,174,576</b>	<b>\$ (4,229,885)</b>	<b>(37.9)%</b>

### Revenues

We primarily generate our revenues from providing online marketing solutions. We recognize all our revenues on a net basis, which comprises of (i) rebates and incentives offered by publishers for procuring advertisers to place ads with them, which are typically calculated with reference to the advertising spend of our advertisers and are closely correlated to our gross billing from advertisers; and (ii) net fees from advertisers, which are essentially the fees we charge our advertisers (i.e. gross billing) net of the media costs we incurred on their behalf.

Our total revenues decreased by \$5.9 million or 33.3%, from \$17.8 million for the year ended December 31, 2019, to \$11.9 million for the year ended December 31, 2020. The following table sets forth a breakdown of our revenues:

	For the Years Ended December 31,				Variance	
	2020	%	2019	%	Amount	%
Rebates and incentives offered by publishers	\$ 9,430,758	79.2 %	\$ 15,953,148	89.4 %	\$ (6,522,390)	(40.9)%
Net fees from advertisers	2,480,471	20.8 %	1,893,752	10.6 %	586,719	31.0 %
<b>Total</b>	<b>\$ 11,911,229</b>	<b>100.0 %</b>	<b>\$ 17,846,900</b>	<b>100.0 %</b>	<b>\$ (5,935,671)</b>	<b>(33.3)%</b>

The rebates and incentives offered by publishers decreased by \$6.5 million, or 40.9%, from \$16.0 million for the year ended December 31, 2019 to \$9.4 million for the year ended December 31, 2020, which was mainly caused by the decrease of \$5.1 million in revenues from mobile app ads services due to combined effects of decreased demands from advertisers affected by COVID-19 and certain orders, and our entry into more net fee-based contracts with advertisers rather than rebate-and-incentive contracts, and the decrease of \$1.1 million in revenues from in-feed ads services as a result of decreased demands from advertisers affected by COVID-19.

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The net fees from advertisers increased by \$0.6 million, or 31.0%, from \$1.9 million for the year ended December 31, 2019 to \$2.5 million for the year ended December 31, 2020. Because we entered into more net fee-based contracts with advertisers rather than rebate-and-incentive contracts for mobile app ads services, our net fees earned from advertisers for mobile app ads services increased by \$0.7 million.

The following table sets forth a breakdown of revenues by services offered during the years ended December 31, 2020 and 2019:

	For the years ended December 31,		Variance	
	2020	2019	Amount	%
<b>SEM services</b>				
Gross billing	\$ 83,441,991	\$ 111,010,083	\$ (27,568,092)	(24.8)%
Less: Media costs	75,276,377	102,577,851	(27,301,474)	(26.6)%
<i>(as % of gross billing)</i>	90.2 %	92.4 %		
<b>Revenue from SEM services</b>	<b>\$ 8,165,614</b>	<b>\$ 8,432,232</b>	<b>\$ (266,618)</b>	<b>(3.2)%</b>
<b>Non-SEM services</b>				
Gross billing	\$ 51,442,185	\$ 91,717,991	\$ (40,275,806)	(43.9)%
Less: Media costs	47,696,570	82,303,323	(34,606,753)	(42.0)%
<i>(as % of gross billing)</i>	92.7 %	89.7 %		
<b>Revenue from Non-SEM services</b>	<b>\$ 3,745,615</b>	<b>\$ 9,414,668</b>	<b>\$ (5,669,053)</b>	<b>(60.2)%</b>
<b>Revenues</b>	<b>\$ 11,911,229</b>	<b>\$ 17,846,900</b>	<b>\$ (5,935,671)</b>	<b>(33.3)%</b>

The decrease of revenues for the year ended December 31, 2020 as compared to the year ended December 31, 2019 was attributable to a decrease of \$0.3 million, or 3.2%, in revenues from SEM services, and a decrease of \$5.7 million, or 60.2%, in revenues from Non-SEM services. Given that we report our revenue on a net basis as our gross billing (net of any rebates we provide to our advertisers) net of our media costs, the margin between our gross billing and media costs also affects the level of revenues we report.

The revenues from SEM services take the form of rebates and incentives offered by publisher. The decrease in revenues from SEM services was primarily due to a decrease of \$0.44 million, or 81.7% from non-Sogou (搜狗) publishers as the gross billing amount placed from our advertisers with these publishers decreased by \$2.7 million, or 68.2%, net off against a slight increase of \$0.17 million, or 2.2% in net revenue recognized from Sogou (搜狗), our top 1 publisher. During the year ended December 31, 2020, the gross billing amount placed from our advertisers with Sogou (搜狗) decreased by \$24.9 million, or 23.2%, as compared to that of prior year, which was mainly impacted by the COVID-19 pandemic. The percentage of decrease in media costs was proportional to the percentage of decrease in gross billing since the revenues from SEM services mainly take the form of rebates and incentives which were calculated based on the advertiser spending amount and the rebate percentage as agreed with publishers. In fiscal 2020, the Company received an additional type of incentive from Sogou (搜狗) and the average rebate and incentive rate increased to 22.1%, as compared to the 18.3% for the year ended December 31, 2019, which resulting into the slight increase of net revenues recognized from Sogou (搜狗).

The revenues from non-SEM services are in the form of both rebates and incentives offered by publishers and the net fees from advertisers. During the year ended December 31, 2020, the rebates and incentives from non-SEM services amounted to \$1.3 million, representing a decrease of \$6.3 million, or 83.2% as compared to \$7.5 million for the year ended December 31, 2019. Such decrease was mainly due to a decrease in gross billing by \$24.9 million, or 47.7%, from our existing advertisers placed less in-feed ads and mobile app ads, as their business operations were affected by the COVID-19 pandemic. The net fees we earned from non-SEM services increased from \$1.9 million for the year ended December 31, 2019 to \$2.5 million for the year ended December 31, 2020, which was mainly because of an increase in net fees of \$0.7 million earned from mobile app ads services because we entered into more net fee-based contracts with advertisers rather than rebate-and-incentive contracts for our mobile app ads services.

### Cost of revenues

Our total cost of revenues decreased by \$0.6 million or 32.3%, from \$1.9 million for the year ended December 31, 2019, to \$1.3 million for the year ended December 31, 2020. The following table sets forth a breakdown of our cost of revenues by services offered for the years ended December 31, 2020 and 2019:

	For the years ended December 31,				Variance	
	2020	%	2019	%	Amount	%
SEM services	\$ 1,005,082	80.0 %	\$ 1,490,296	80.3 %	\$ (485,214)	(32.6)%
Non-SEM services	251,271	20.0 %	364,868	19.7 %	(113,597)	(31.1)%
<b>Total</b>	<b>\$ 1,256,353</b>	<b>100.0 %</b>	<b>\$ 1,855,164</b>	<b>100.0 %</b>	<b>\$ (598,811)</b>	<b>(32.3)%</b>

Given that the revenues are recognized on a net basis, the cost of revenues was primarily comprised of payroll and welfare expenses incurred by staff responsible for advertiser services and media relations, and taxes and surcharges. The cost of revenue decreased from \$1.9 million for the year ended December 31, 2019, to \$1.3 million for the year ended December 31, 2020, representing a decrease of \$0.6 million, or 32.3%. The decrease was primarily attributable to a decrease of staff costs by \$0.6 million, or 33% as a result of a decrease by 17 headcount (monthly average headcount) and an exemption of the Company's social welfare expenses by local government in response to the COVID-19 pandemic, and a decrease of taxes and surcharges of \$0.04 million, or 26% as a result of decreased revenues for the year ended December 31, 2020.

The changes of cost of revenues for SEM services and non-SEM services were in line with the changes of revenues from SEM services and non-SEM services.

### Gross profit

As a result of changes in revenue and cost of revenues, our gross profit decreased by \$5.3 million, or 33.4% from \$16.0 million for the year ended December 31, 2019 to \$10.7 million for the year ended December 31, 2020. The following table sets forth a breakdown of gross profit by services offered for the year ended December 31, 2020 and 2019:

	For the years ended December 31,				Variance	
	2020	%	2019	%	Amount	%
SEM services	\$ 7,160,532	67.2 %	\$ 6,941,936	43.4 %	\$ 218,596	3.1 %
Non-SEM services	3,494,344	32.8 %	9,049,800	56.6 %	(5,555,456)	(61.4)%
<b>Total</b>	<b>\$ 10,654,876</b>	<b>100.0 %</b>	<b>\$ 15,991,736</b>	<b>100.0 %</b>	<b>\$ (5,336,860)</b>	<b>(33.4)%</b>

### Operating expenses

Our operating expenses decreased by \$0.5 million, or 9.6%, from \$5.5 million for the year ended December 31, 2019, to \$5.0 million for the year ended December 31, 2020. The following table sets forth a breakdown of our operating expenses for the years ended December 31, 2020 and 2019:

	For the years ended December 31,				Variance	
	2020	%	2019	%	Amount	%
Revenues	\$ 11,911,229	100 %	\$ 17,846,900	100 %	\$ (5,935,671)	(33.3)%
<b>Operating expenses</b>						
Selling and marketing expenses	947,834	8.0 %	411,391	2.3 %	536,443	130.4 %
General and administrative expenses and provision for doubtful accounts	4,063,867	34.1 %	5,129,987	28.7 %	(1,066,120)	(20.8)%
<b>Total operating expenses</b>	<b>\$ 5,011,701</b>	<b>42.1 %</b>	<b>\$ 5,541,378</b>	<b>31.0 %</b>	<b>\$ (529,677)</b>	<b>(9.6)%</b>

### ***Selling and marketing expenses***

Selling and marketing expenses primarily included payroll and welfare expenses incurred by sales and marketing personnel, business travel expenses, and entertainment expenses. Selling expenses increased by \$0.5 million, or 130.4%, from \$0.4 million for the year ended December 31, 2019 to \$0.9 million for the year ended December 31, 2020. This increase in selling expenses was primarily due to an increase of \$0.5 million in entertainment expenses for marketing and promotions as we increased our marketing efforts during the fiscal year ended December 31, 2020 to mitigate the negative impact of the COVID-19 and maintain long-term customer relationship.

### ***General and administrative expenses and provision for doubtful accounts***

General and administrative expenses primarily consist of payroll and welfare expenses incurred by administration department as well as management, operating lease expenses for office rentals, depreciation and amortization expenses, travelling and entertainment expenses, consulting and professional fees, and provision for doubtful accounts. General and administrative expenses decreased by \$1.0 million, or 20.8%, from \$5.1 million for the year ended December 31, 2019 to \$4.1 million for the year ended December 31, 2020. The decrease was primarily due to a decrease of \$0.4 million in consulting and professional services, a decrease of \$0.6 million in travel and entertainment expenses because we reduced such activities due to the COVID-19 pandemic, and a decrease of \$0.2 million in salary and welfare expenses because the local government exempted our social welfare expenses as a result of the outbreak of COVID-19, partially against increased provision for doubtful accounts of \$0.3 million for accounts receivable which was provided in accordance with the bad debt policy, and increased depreciation and amortization expenses of \$0.1 million as a result of purchases of property, equipment and intangible assets in the second half year of 2019.

Due to the travel ban and temporary closure of business in China caused by the COVID-19 pandemic, our customers slowed down payments of accounts receivables, leading to increased long-aged and uncollected accounts receivable balance as of December 31, 2020 than that as of December 31, 2019. We provided an increase of \$0.3 million in provision for accounts receivable for the year ended December 31, 2020 than that for the year ended December 31, 2019.

### ***Interest expense, net***

Interest expense primarily arise from the loans we obtained from third parties and bank borrowings. Interest expense, net increased by \$0.1 million, or 280.7%, from \$0.04 million for the year ended December 31, 2019 to \$0.2 million for the year ended December 31, 2020, which was mainly attributable to an increase of interest expense of \$0.05 million accrued on bank loans borrowed in March 2020, an increase of interest expense of \$0.06 million accrued on the amount due to a related party, Pubang Hong Kong, and an increase of interest expense of \$0.04 million incurred on borrowings from third parties due to an increase of \$0.7 million in average outstanding balance during the year ended December 31, 2020.

### ***Subsidy income***

Subsidy income for the year ended December 31, 2020 primarily consisted of subsidy income from local tax authority of \$0.9 million and \$0.03 million received from a local government to promote and attract investment and setting up of business. Subsidy income for the year ended December 31, 2019 primarily consisted of subsidy income from local tax authority of \$0.8 million.

### ***Other income (expenses), net***

Other income, net primarily consisted of gain from disposal of the intangible asset, copyrights, of \$0.6 million for the year ended December 31, 2020. Other expenses, net primarily consisted of accrued labor cost compensation expenses of \$0.06 million for the year ended December 31, 2019, which arose from an unsettled legal proceeding with an individual.

### ***Income tax benefit (expense)***

Income tax expense was \$0.1 million for the year ended December 31, 2020, as compared to income tax benefits of \$0.02 million for the year ended December 31, 2019. We transferred the majority of our business to the operating subsidiaries in Horgos and Kashi, Xinjiang province since 2019, where we enjoy a five-year profit tax exemption since the first year in which the business operational revenue is earned. For the year ended December 31, 2020, the income tax expense arose from the valuation allowance on deferred tax assets recognized for Beijing Baosheng as of December 31, 2019 due to uncertainties surrounding future utilization.

## **Net Income**

As a result of the foregoing, we reported a net income of \$6.9 million for the year ended December 31, 2020, as compared to \$11.2 million for the year ended December 31, 2019.

## **B. Liquidity and Capital Resources**

### **Liquidity and Capital Resources**

To date, we have financed the operations primarily through cash flow from operations, loans from third parties, and proceeds raised in our initial public offering. We plan to support our future operations primarily from cash generated from our operations and cash on hand, borrowings from third parties and bank borrowings, and proceeds from equity instrument financing, where necessary.

On February 10, 2021, we closed our initial public offering on the Nasdaq Capital Market. We offered an aggregate of 6,900,000 Ordinary Shares in our initial public offering at an offering price of \$5.00 per share, taking into account the Ordinary Shares sold upon the exercise of the over-allotment option by our underwriters. Gross proceeds of our initial public offering, including the proceeds from the sale of the over-allotment shares, totaled \$34.5 million, before deducting underwriting discounts and other related expenses.

On March 5, 2021, Beijing Baosheng entered into a revolving credit facility agreement with Bank of Communications under which Beijing Baosheng can draw-down up to RMB50.0 million (approximately \$8.7 million) by June 8, 2021. Each borrowing under the credit facility is due within three months. The interest rate for this credit facility was fixed at 3.85% per annum, and required the Company to make a deposit of \$8.7 million. The loan is guaranteed by Ms. Wenxiu Zhong. As of the date of this annual report, we have drawn down and paid off borrowings of RMB50.0 million.

On March 18, 2021, the Company entered into a securities purchase agreement (the “Securities Purchase Agreement”) with two investors, including a wholly-owned subsidiary of Ebang International Holdings Inc. (Nasdaq: EBON), for an investment of US\$10 million. Pursuant to the Securities Purchase Agreement, the Company issued an aggregate of 1,960,784 units to the investors, with each unit consisting of one Ordinary Share and a warrant to purchase one half of one Ordinary Share at an exercise price of \$5.61 per Ordinary Share (subject to adjustment).

As reflected in the Company’s consolidated financial statements, the Company had a net loss of \$6.7 million for the year ended December 31, 2021, and cash outflows of \$31.2 million and \$3.4 million from operating activities for the year ended December 31, 2021 and 2020, respectively. As of December 31, 2021, we had \$4.8 million in cash and cash equivalent, as compared to \$6.6 million as of December 31, 2020. As of December 31, 2021, we also had restricted cash of \$4.1 million in four bank accounts of Beijing Baosheng, as compared to \$3.7 million as of December 31, 2020 in two bank accounts of Beijing Baosheng, which were frozen pursuant to the Freezing Order issued by Beijing Haidian District People’s Court for a legal proceeding among a plaintiff and Beijing Baosheng. As a result of the Freezing Order, we cannot withdraw cash from the frozen accounts, but cash may still be deposited into the accounts by banks. The balance of restricted cash as of December 31, 2021 increased by \$0.4 million as compared to that of December 31, 2020, which was mainly due to the collection of \$0.2 million of outstanding accounts receivable from certain advertisers. We have transferred majority of our business from Beijing Baosheng to other PRC subsidiaries. These factors raise substantial doubt about the Company’s ability to continue as a going concern. The financial statements do not include any adjustments that might be necessary if the Company is unable to continue as a going concern.

On February 8, 2022, the final judgment was enforced by the court with a total of RMB10.9 million (approximately \$1.7 million) being withdrawn from one of the frozen bank accounts of Beijing Baosheng, the bank account at Bank of Hangzhou, which was unfrozen afterwards, and which amount was applied to the satisfaction of such judgment and the payment in full of the related fees and expenses. Accordingly, Beijing Baosheng requested Ms. Wenxiu Zhong to perform her obligations under the Guarantee Letter by reimbursing Beijing Baosheng’s litigation costs, including, but not limited to, the amount of damages imposed by the courts, court expenses, and attorney fees. As of March 7, 2022, as promised by the Guarantee Letter, Ms. Wenxiu Zhong has made the payment in cash of RMB11.1 million (approximately \$1.7 million) to Beijing Baosheng. Such payment made by Ms. Wenxiu Zhong includes the amount paid to Ms. Chen Chen as ordered by the courts plus interest as well as the court expense, attorney fee, and court enforcement fee.

In connection with the Freezing Order, our 100% equity interest in both Horgos Baosheng and Kashi Baosheng were frozen by the court. As a result, our shareholders may be restricted in: (a) transferring or pledging their equity interests in both entities, (b) receiving dividends from either company, and (c) voting for the dissolution and winding up of either company, the surrender of matured loans, or other decisions that may impact the value of equity interest of either company. As of December 31, 2021, the net assets of Horgos Baosheng and Kashi Baosheng were approximately \$27.2 million and \$2.8 million, accounting for 36.7% and 3.8% of the total consolidated net assets, respectively. As of December 31, 2020, the net assets of Horgos Baosheng and Kashi Baosheng were approximately \$30.4 million and \$4.7 million, accounting for 72.9% and 11.3% of the total consolidated net assets, respectively. For the year ended December 31, 2021, Horgos Baosheng and Kashi Baosheng generated limited revenues, and incurred net losses of \$3.1 million and \$1.9 million, accounting for 46.9% and 28.4% of the total net loss, respectively. For the year ended December 31, 2020, Horgos Baosheng and Kashi Baosheng generated net income of \$4.4 million and \$1.6 million, accounting for 62.7% and 22.3% of the total net income, respectively. For the year ended December 31, 2019, Horgos Baosheng and Kashi Baosheng generated net income of \$13.3 million and \$0.2 million, accounting for 118.9% and 2.0% of the total net income, respectively.

Although there are restrictions on the equity shares of Horgos Baosheng and Kashi Baosheng pursuant to the Freezing order, management believes the freezing of our equity interests in both Horgos Baosheng and Kashi Baosheng will not have a material impact on our business operation, because we have no plans to pledge the equity interests in either Horgos Baosheng or Kashi Baosheng in third-party borrowings or other financing activities and there were no restrictions of our business operation from the Court. In addition, to mitigate the restrictions of receiving dividends from Horgos Baosheng and Kashi Baosheng, we established Baosheng Technology (Horgos) Co., Ltd., a wholly owned subsidiary of Beijing Baosheng, in January 2020 through which we conducted and plan to continue to conduct a majority of our business.

As confirmed by Beijing Baosheng's PRC counsel, with the final judgement being enforced by the Court on February 8, 2022 with a total of RMB10.9 million (approximately \$1.7 million) being withdrawn from one of the frozen bank accounts of Beijing Baosheng, its bank account at Bank of Hangzhou, which was unfrozen following the judgment, and which amount was applied to the satisfaction of such judgment and the payment in full of the related fees and expenses. The Freezing Order (including the freezing of Beijing Baosheng's equity interests in Horgos Baosheng and Kashi Baosheng) was reversed and all of the impacted assets were unfrozen, accordingly. As of the date of this annual report, three out of the four frozen accounts have been unfrozen and the unfreezing procedure for the remaining one account is still in progress, which is expected to be completed by the end of July 2022.

In addition, as of December 31, 2021, our total gross accounts receivable were \$62.8 million, and our total media deposit balance was \$2.7 million. Cash generated from the collection of such receivables and deposits will be used in our operation as working capital.

As of December 31, 2021, our working capital was \$66.7 million, among which restricted cash of \$4.1 million in four bank accounts of Beijing Baosheng and the working capital of Horgos Baosheng and Kashi Baosheng amounted to \$9.7 million and \$8.0 million, respectively, were restricted pursuant to the Freezing Order. Our working capital needs are influenced by the size of our operations, the volume and dollar value of our sales contracts, the performance on our customer contracts, and the timing for collecting accounts receivable and media deposits, and repayment of accounts payable and advertiser deposits.

Substantially all of our current operations are conducted in China and all of our revenue, expenses, cash and cash equivalents are denominated in RMB. Due to the PRC exchange control regulations that restrict our ability to convert RMB into U.S. dollars, we may have difficulty distributing any dividends outside of China. On December 31, 2018, the Company's board of directors approved a resolution to pay a cash dividend of RMB 50.0 million (equivalent to \$7.3 million) to our shareholders at the time of record, out of the retained earnings balance. As our shareholders are in the form of limited companies, income taxes are exempted in accordance with PRC tax laws. During the year ended December 31, 2021, 2020 and 2019, the Company paid dividends of \$2.2 million, \$nil, and \$4.1 million to its shareholders. As of December 31, 2021 and 2020, the Company had dividends payable of \$1.3 million (RMB8.0 million) and \$3.4 million (RMB22.0 million), respectively. From January 1, 2022 through the date of this annual report, the Company paid dividends of \$0.5 million (RMB3.0 million) to the shareholders. The Company plans to pay the remaining balance of dividend payable of \$0.8 million (RMB5.0 million) out of the retained earnings balance before June 30, 2022.

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The Company intends to meet the cash requirements for the next 12 months from the date of this annual report through a combination of application of credit terms, bank loans, and principal shareholder's financial support. The Company will focus on the following activities:

- a. The Company is in progress of applying credit terms from a publisher, to which the Company had prepayments of \$3.4 million as of December 31, 2021;
- b. As of December 31, 2021, our working capital was \$66.7 million, consisting of net accounts receivable of \$56.4 million, and total media deposit balance of \$2.7 million. The Company expects to collect the outstanding net balances (after deducting the bad debt allowance) within the twelve months from the issuance of the report. As of December 31, 2021, the working capital of Horgos Baosheng and Kashi Baosheng were \$9.7 million and \$8.0 million, respectively, which were restricted pursuant to the Freezing Order and such restrictions are expected to be released upon the expiration date in August 2022; and
- c. In April 2022, a principal shareholder of the Company agreed to provide necessary financial support in the form of debt to the Company for meet its other liabilities and commitments as they become due for at least twelve months from the date of this annual report.

However, future financing requirements will depend on many factors, including the scale and pace of the expansion of the Company's advertising business, the expansion of the Company's sales and marketing activities, and potential investments in, or acquisitions of, businesses or technologies. Inability to obtain credit terms from medias or access to financing on favorable terms in a timely manner or at all would materially and adversely affect the Company's business, results of operations, financial condition, and growth prospects.

We have limited financial obligations denominated in U.S. dollars, thus the foreign currency restrictions and regulations in the PRC on the dividends distribution will not have a material impact on our liquidity, financial condition, and results of operations.

### Cash Flows

The following table presents the summary of our cash flows for the periods indicated:

	For the Years Ended December 31,		
	2021	2020	2019
Net Cash (Used in) Provided by Operating Activities	\$ (31,213,199)	\$ (3,393,204)	\$ 9,364,359
Net Cash (Used in) Provided by Investing Activities	(6,414,339)	1,244,612	(1,586,389)
Net Cash Provided by Financing Activities	36,085,744	772,373	2,057,350
Effect of exchange rate changes on cash and cash equivalents	152,389	631,527	(70,130)
Net (decrease) increase in cash, cash equivalents and restricted cash	(1,389,405)	(744,692)	9,765,190
Cash, cash equivalents and restricted cash at beginning of year	10,272,256	11,016,948	1,251,758
Cash, cash equivalents and restricted cash at end of year	<u>\$ 8,882,851</u>	<u>\$ 10,272,256</u>	<u>\$ 11,016,948</u>

### Operating Activities

Net cash used in operating activities was \$31.2 million for the year ended December 31, 2021, mainly derived from (i) net loss of \$6.7 million for the year adjusted for noncash provision for doubtful accounts receivable and prepayments of \$4.2 million and \$2.7 million, respectively, as well as the change in fair value of warrant liabilities of \$2.4 million, and (ii) net changes in our operating assets and liabilities, principally comprising of (a) a decrease in accounts receivable of \$6.1 million as a result of decrease of revenues; (b) an increase of customer deposits of \$5.0 million due to the intense competition in the advertising agency industry and less advances required; and (c) an increase in prepayment of \$5.8 million and a decrease in accounts payable of \$23.8 million due to the increasing prepayment requirements by publishers from the Company.

Net cash used in operating activities was \$3.4 million for the year ended December 31, 2020, mainly derived from (i) net income of \$6.9 million for the year adjusted for noncash provision for doubtful accounts of \$2.0 million, and an increase in accounts receivable of \$12.5 million because customers delayed repayments as affected by COVID-19.

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Net cash provided by operating activities was \$9.4 million for the year ended December 31, 2019, mainly derived from (i) net income of \$11.2 million for the year adjusted for noncash provision for doubtful accounts of \$1.6 million, (ii) net changes in our operating assets and liabilities, principally comprising of (a) a decrease in accounts receivable of \$3.0 million because of collections; (b) a decrease of advances from advertisers of \$7.9 million due to the intense competition in the advertising agency industry that less advances were required; and (c) an increase in prepayment of \$3.2 million and accounts payable to third parties of \$5.1 million due to the expansion of business which resulted into the increase of purchases of ads on behalf of advertisers.

We generally grant a credit term of up to 180 days to advertisers. The turnover days for accounts receivable for the years ended December 31, 2021, 2020 and 2019 were 442 days, 167 days and 105 days, respectively. The long turnover days of accounts receivable for the year of 2021 was mainly due to a slowdown in payment from our mobile apps customers, who were severely affected by the COVID-19 pandemic and required a longer term for extension of credit from us. Our turnover days for accounts receivable is calculated as the average of the beginning and ending balance of the gross carrying amount of accounts receivable for the year, divided by our gross billing for the year, multiplied by 365 days.

We are generally granted credit term of up to 90 days by publishers for our SEM services, and credit term ranging from prepayments to 180 days for our non-SEM services. The turnover days for accounts payable for the years ended December 31, 2021, 2020 and 2019 were 172 days, 103 days and 66 days, respectively. The increase of turnover days of accounts payable for the year of 2021 was mainly caused by increase of media costs of non-SEM services as a percentage of the total media costs. Our turnover days for accounts payable is calculated as the average of the beginning and ending balance of the carrying amount of accounts payable for the year, divided by our media costs for the year, multiplied by 365 days.

### ***Investing Activities***

Net cash used in investing activities amounted to \$6.4 million for the year ended December 31, 2021, primarily including purchase of property and equipment of \$1.1 million, purchase of intangible assets of \$3.8 million, and investment of \$1.6 million in one investee over which the Company owned 10% equity interest.

Net cash provided by investing activities amounted to \$1.2 million for the year ended December 31, 2020, primarily including proceeds of \$1.2 million from sales of copyrights to a third party.

Net cash used in investing activities amounted to \$1.6 million for the year ended December 31, 2019, primarily including the purchase of property and equipment of \$0.7 million and the purchase of intangible assets of \$0.9 million.

### ***Financing Activities***

Net cash provided by financing activities amounted to \$36.1 million for the year ended December 31, 2021, primarily consisting of net proceeds of \$30.7 million from issuance of ordinary shares in our initial public offering, including over-allotment shares, net proceeds of \$9.9 million from issuance of ordinary shares in a private placement, and proceeds from bank borrowing of \$7.8 million, partially offset by repayment of bank borrowings of \$9.3 million, repayment of related party loans of \$0.7 million and repayment of dividends of \$2.2 million to shareholders.

Net cash provided by financing activities amounted to \$0.8 million for the year ended December 31, 2020, primarily consisting of proceeds from third-party loans of \$6.6 million and bank borrowing of \$1.4 million, partially offset by repayment of third parties loans of \$6.9 million and payment of issuance costs related to our initial public offering of \$0.4 million.

Net cash provided by financing activities amounted to \$2.1 million for the year ended December 31, 2019, primarily consisting of proceeds from third-party loans of \$6.9 million and capital contribution of \$1.8 million from one shareholder, partially offset by repayment of third parties loans of \$2.7 million and payment of dividends of \$4.1 million to our shareholders.

### ***Capital Expenditures***

Our capital expenditures were \$1.9 million, \$0.001 million, and \$1.6 million in fiscal years ended December 31, 2021, 2020 and 2019, respectively. We intend to fund our future capital expenditures with our existing cash balance and cash flow from operating activities. We will continue to make capital expenditures to meet the expected growth of our business.

## **Holding Company Structure**

Baosheng Media Group Holdings Limited is a holding company with no material operations of its own. We conduct our operations primarily through our subsidiaries in China. As a result, our ability to pay dividends depends upon dividends paid by our PRC subsidiaries. In addition, our PRC subsidiaries are permitted to pay dividends to us only out of their retained earnings, if any, as determined in accordance with the Accounting Standards for Business Enterprise as promulgated by the Ministry of Finance of the PRC, or PRC GAAP. Pursuant to the law applicable to China's foreign investment enterprise, foreign investment enterprise in the PRC have to make appropriation from their after-tax profit, as determined under PRC GAAP, to reserve funds including (i) general reserve fund, (ii) enterprise expansion fund and (iii) staff bonus and welfare fund. The appropriation to the general reserve fund must be at least 10% of the after-tax profits calculated in accordance with PRC GAAP. Appropriation is not required if the reserve fund has reached 50% of the registered capital of our subsidiary. Appropriation to the other two reserve funds are at our subsidiary's discretion.

## **C. Research and Development, Patents and Licenses, etc.**

See "Item 4. Information on the Company—B. Business Overview—Intellectual Property."

## **D. Trend Information**

Other than as disclosed elsewhere in this annual report, we are not aware of any trends, uncertainties, demands, commitments or events for the fiscal year ended December 31, 2021 that are reasonably likely to have a material 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 operating results or financial conditions.

## **E. Critical Accounting Estimates**

Our discussion and analysis of our financial condition and results of operations are based upon our consolidated financial statements. These financial statements are prepared in accordance with U.S. GAAP, which requires the Company to make estimates and assumptions that affect the reported amounts of our assets and liabilities and revenues and expenses, to disclose contingent assets and liabilities on the dates of the consolidated financial statements, and to disclose the reported amounts of revenues and expenses incurred during the financial reporting periods. The most significant estimates and assumptions include the valuation of accounts receivable, useful lives of property and equipment and intangible assets, the recoverability of long-lived assets, provision necessary for contingent liabilities, and revenue recognition. We continue to evaluate these estimates and assumptions that we believe to be reasonable under the circumstances. We rely on these evaluations as the basis for making judgments about the carrying values of assets and liabilities that are not readily apparent from other sources. Since the use of estimates is an integral component of the financial reporting process, actual results could differ from those estimates as a result of changes in our estimates. Some of our accounting policies require higher degrees of judgment than others in their application. We believe critical accounting policies as disclosed in this annual report reflect the more significant judgments and estimates used in preparation of our consolidated financial statements.

The following critical accounting policies rely upon assumptions and estimates and were used in the preparation of our consolidated financial statements:

### ***Uses of estimates***

In preparing the consolidated financial statements in conformity with accounting principles generally accepted in the United States of America, management makes estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the dates of the financial statements and the reported amounts of revenues and expenses during the reporting periods. These estimates are based on information as of the date of the consolidated financial statements. Significant estimates required to be made by management include, but are not limited to, determinations of the useful lives and valuation of long-lived assets, estimates of allowances for doubtful accounts, valuation allowance for deferred tax assets, revenue recognition, and other provisions and contingencies. Actual results could differ from those estimates.

### ***Accounts receivable, net***

Accounts receivable are recognized and carried at the gross billing amount less an allowance for any uncollectible accounts due from the advertisers.

We determine the adequacy of allowance for doubtful accounts based on individual account analysis, historical collection trends and aging of accounts receivables. We establish a provision for doubtful receivables when there is objective evidence that we may not be able to collect amounts due. The allowance is based on management's best estimate of specific losses on individual exposures. The provision is recorded against accounts receivables balances, with a corresponding charge recorded in the consolidated statements of income and comprehensive income. Actual amounts received may differ from management's estimate of credit worthiness and the economic environment. Delinquent account balances are written-off against the allowance for doubtful accounts after management has determined that the likelihood of collection is not probable.

### ***Impairment of long-lived assets***

Long-lived assets with finite lives, primarily property and equipment and intangible assets, are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount of an asset may not be recoverable. If the estimated cash flows from the use of the asset and its eventual disposition below are the asset's carrying value, then the asset is deemed to be impaired and written down to its fair value. Impairment of \$434,878, \$nil and \$nil was recognized on property and equipment for the years ended December 31, 2021, 2020 and 2019, respectively.

### ***Revenue recognition***

We adopted ASC Topic 606 Revenue from Contracts with Customers ("ASC 606") on January 1, 2018 using the modified retrospective approach for contracts that were not completed as of December 31, 2017. There was no adjustment to the opening balance of retained earnings as of January 1, 2018.

ASC 606 requires the use of a new five-step model to recognize revenue from customer contracts. The five-step model requires that we (i) identify the contract with the customer, (ii) identify the performance obligations in the contract, (iii) determine the transaction price, including variable consideration to the extent that it is probable that a significant future reversal will not occur, (iv) allocate the transaction price to the respective performance obligations in the contract, and (v) recognize revenue when (or as) we satisfy the performance obligation. The application of the five-step model to the revenue streams compared to the prior guidance (ASC Topic 605, Revenue Recognition) did not result in significant changes in the way we record our revenue. We have assessed the impact of the guidance by reviewing our existing customer contracts to identify differences that will result from applying the new requirements, including the evaluation of its performance obligations, transaction price, customer payments, transfer of control and principal versus agent considerations. Based on the assessment, we concluded that there was no change to the timing and pattern of revenue recognition for its current revenue streams in scope of Topic 606 and therefore there was no material changes to our consolidated financial statements upon adoption of ASC 606.

We have advertising agency revenues from SEM services and non-SEM services, including deployment of in-feed and mobile app ads on other media and social media marketing services in relation to running advertising campaigns on selected social media accounts. We act as an agent between publishers and advertisers by helping publishers procure advertisers and facilitate ad deployment on their advertising channels, and purchasing ad inventories and advertising services from publishers for advertisers. We place orders with publishers as per request from advertisers. Each order is set forth in a contract, under which we arrange for the advertiser to be provided with a certain amount of ad inventory and advertising services by a designated third party publisher for a period of ad term. We provide advices and services on advertising strategies and ad optimization to advertisers to improve the effectiveness of their ads, all of which are highly interrelated and not separately identifiable. Our overall promise represents a combined output that is a single performance obligation; there is no multiple performance obligations.

We evaluated our advertising agency contracts and determined that we were not acting as principal in these arrangements with publishers and advertisers since we never take control of the ad inventories at any time. We collect the costs of purchasing ad inventories and advertising services from advertisers on behalf of publishers. We generate advertising agency revenues either by charging additional fees to advertisers or receiving rebates and incentives offered by publishers. Accordingly, both advertisers and publishers can be identified as customers, depending on the revenue model applicable to the relevant services.

We recognize revenues on a net basis, which equal to: (i) rebates and incentives offered by publishers, netting the rebates to advertisers (if any); and (ii) net fees from advertisers.

*Rebates and incentives offered by publishers*

Rebates and incentives offered by publishers are determined based on the contract terms with publishers and their applicable rebate policies, which typically in the form of across-the-board standard-rate rebates, differential standard-rate rebates and progressive-rate rebates. Rebates and incentives offered by publishers are accounted for as variable consideration. We accrue and recognize revenues in the form of rebates and incentives based on our evaluation as to whether the contractually stipulated thresholds of advertising spend are likely to be reached, or other benchmarks or certain prescribed classification are likely to be qualified (e.g. the number of new advertisers secured, growth in actual advertising spend), and to the extent that a significant reversal of cumulative revenue would not occur in future periods. These evaluations are based on the past experience and regularly monitoring of various performance factors set within the rebate policies (e.g. accumulated advertising spend, number of new advertisers). At the end of each subsequent reporting period, we re-evaluate the probability of achieving such advertising spend volume and any related constraint, and if necessary, adjust the estimate of the amount of rebates and incentives. Any such adjustments are recorded on a cumulative catch-up basis, which would affect revenues and earnings in the period of adjustment. The rebates and incentives are generally ascertained and settled on a quarterly or annual basis. Historically, adjustments to the estimations for the actual amounts have been immaterial. These rebates and incentives take the form of cash which, when paid, are applied to set off accounts payable with the relevant publishers or settled separately; or can be in the form of ad currency units which will be deposited in the account in the back-end platform of the media, and can then be utilized to acquire their ad inventory.

We may offer rebates to advertisers on a case by case basis, generally with reference to the rebates and incentives offered by publishers, the advertiser's committed total spend, and the business relationships with such advertiser. The rebates offered by us to advertisers are in the form of cash discounts or ad currency units that can be utilized to acquire ad inventory from relevant media, both of which are account for as a deduction of revenues.

*Net fees from advertisers*

Net fees from advertisers are the difference between the gross billing amount charged to the advertisers and the costs of purchasing ad inventories and advertising services on their behalf.

The publishers do not receive or consume the benefits from our facilitation services until the publishers deliver advertising services to the advertisers. We recognize advertising agency revenues when we transfer the control of the facilitation service commitments, i.e., when the publishers deliver advertising services to the advertisers. Under the CPC and CPA pricing model of media, we recognize revenues at the point of time as the publishers deliver advertising services at the point in time. Under the CPT pricing model of media, the publishers deliver advertising services over time when the advertising links are displayed over the contract periods, and therefore we recognize revenue on a straight-line basis over the contracted display period. During the years ended December 31, 2021, 2020 and 2019, revenues from the advertising services under CPT pricing model that we arranged are immaterial.

We record revenues and costs on a net basis and the related accounts receivable and payable amounts on a gross basis.

The gross billing amounts charged to the advertisers are collected either in advance to provision of services or after the services. Accounts receivable represent the gross billing charged to advertisers that we have an unconditional right to consideration (including billed and unbilled amount) when we have satisfied its performance obligation. Payment terms and conditions of accounts receivables vary by customers, and terms typically include a requirement for payment within a period from 3 to 6 months. We have determined that all the contracts generally do not include a significant financing component. We do not have any contract assets since revenue is recognized when control of the promised services is transferred and the payment from customers is not contingent on a future event. In cases where the gross billing amounts are collected in advance, the amounts are recorded as "advance from advertisers" in the consolidated balance sheets. Advance from advertisers related to unsatisfied performance obligations at the end of the year is recognized as revenue when we deliver the services to our advertisers. The fees are non-refundable. In cases where amounts are collected after the services, accounts receivable are recognized upon delivery of ad inventories and advertising services to the advertisers. The gross billing amounts are determinable at the inception of the services.

The cost of purchasing ad inventories and advertising services are recorded as accounts payable or a deduction against prepayments in cases where prepayments are required by the publishers.

#### *Disaggregation of Revenues*

Our disaggregation of revenues for the years ended December 31, 2021, 2020, and 2019 is disclosed in Note 2 – Revenue recognition to the consolidated financial statements.

#### *Income taxes*

We account for current income taxes in accordance with the laws of the relevant tax authorities. Deferred income taxes are recognized when temporary differences exist between the tax bases of assets and liabilities and their reported amounts in the consolidated financial statements. Deferred tax assets and liabilities are measured using enacted tax rates expected to apply to taxable income in the years in which those temporary differences are expected to be recovered or settled. The effect on deferred tax assets and liabilities of a change in tax rates is recognized in income in the period including the enactment date. Valuation allowances are established, when necessary, to reduce deferred tax assets to the amount expected to be realized.

An uncertain tax position is recognized as a benefit only if it is “more likely than not” that the tax position would be sustained in a tax examination. The amount recognized is the largest amount of tax benefit that is greater than 50% likely of being realized on examination. For tax positions not meeting the “more likely than not” test, no tax benefit is recorded. Penalties and interest incurred related to underpayment of income tax are classified as income tax expense in the period incurred. No significant penalties or interest relating to income taxes have been incurred during the years ended December 31, 2021, 2020 and 2019. We do not believe there was any uncertain tax provision as of December 31, 2021 and 2020.

Our operating subsidiaries in China are subject to the income tax laws of the PRC. As of December 31, 2021, the tax years ended December 31, 2017 through December 31, 2021 for our PRC subsidiaries remain open for statutory examination by PRC tax authorities.

#### *Recent accounting pronouncements*

In June 2016, the FASB issued ASU No. 2016-13, “Measurement of Credit Losses on Financial Instruments (Topic 326)”, which significantly changes the way entities recognize impairment of many financial assets by requiring immediate recognition of estimated credit losses expected to occur over their remaining life, instead of when incurred. In November 2018, the FASB issued ASU No. 2018-19, “Codification Improvements to Topic 326, Financial Instruments—Credit Losses”, which amends Subtopic 326-20 (created by ASU No.2016-13) to explicitly state that operating lease receivables are not in the scope of Subtopic 326-20. Additionally, in April 2019, the FASB issued ASU No.2019-04, “Codification Improvements to Topic 326, Financial Instruments—Credit Losses, Topic 815, Derivatives and Hedging, and Topic 825, Financial Instruments”, in May 2019, the FASB issued ASU No. 2019-05, “Financial Instruments—Credit Losses (Topic 326): Targeted Transition Relief”, and in November 2019, the FASB issued ASU No. 2019-10, “Financial Instruments—Credit Losses (Topic 326), Derivatives and Hedging (Topic 815), and Leases (Topic 842): Effective Dates”, and ASU No. 2019-11, “Codification Improvements to Topic 326, Financial Instruments—Credit Losses”, to provide further clarifications on certain aspects of ASU No. 2016-13 and to extend the nonpublic entity effective date of ASU No. 2016-13. The changes (as amended) are effective for the Company for annual and interim periods in fiscal years beginning after December 15, 2022, and the Company is in the process of evaluating the potential effect on its consolidated financial statements.

We do not believe other recently issued but not yet effective accounting standards, if currently adopted, would have a material effect on our consolidated financial position, statements of operations and cash flows.

## ITEM 6. DIRECTORS, SENIOR MANAGEMENT AND EMPLOYEES

### A. Directors and Executive Officers

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

Name	Age	Position(s)
Wenxiu Zhong	39	Chairperson of the board and Chief Executive Officer
Sheng Gong	40	Director
Yue Jin	40	Chief Financial Officer
Kun Zhang	40	Independent Director
Weitao Liang	39	Independent Director
Changhong Jiang	45	Independent Director

The following is a brief biography of each of our executive officers and directors:

**Wenxiu Zhong**, age 39, is our founder, chairperson of the board, and chief executive officer. She was appointed as a director on December 4, 2018. She joined our Company in April 2015 as the chief executive officer of Beijing Baosheng and was appointed as the legal representative and the sole director of Beijing Baosheng in September 2015. Ms. Wenxiu Zhong has over 14 years of experience in the advertising industry. Prior to joining our Company, Ms. Wenxiu Zhong served as the vice president of Weimeng Xingkong (Beijing) Information Technology Co., Ltd. from April 2012 to March 2015. From October 2008 to November 2011, Ms. Wenxiu Zhong served as the national media director of Beijing Union Damei Advertising Co., Ltd. From November 2006 to August 2008, Ms. Wenxiu Zhong worked at Tensyn Digital Marketing Technology Joint Stock Company, a company listed on the Shenzhen Stock Exchange (Stock Code: 300392). Ms. Wenxiu Zhong received a bachelor's degree in computer and application from Hebei University of Science and Technology in 2006.

**Sheng Gong**, age 40, serves as our director and the national sales director of our SEM advertising, and is primarily responsible for overseeing the business development, sales and marketing of our SEM services. Mr. Sheng Gong has over 10 years of experience in business development and sales and marketing in the media industry in China. Prior to joining us, Mr. Sheng Gong worked as a sales director at Beijing Jinyuan Interactive Technology Advertising Co., Ltd., from March 2013 to May 2016. From October 2008 to February 2013, Mr. Sheng Gong worked as a director of the customer department of Beijing Zhenyu Hezhong Advertising Co., Ltd. From July 2007 to October 2008, Mr. Sheng Gong worked at Beijing Tensyn Digital Marketing Technology Joint Stock Company. Mr. Sheng Gong received a bachelor's degree in computer application from Beijing Jianshe University in 2004.

**Yue Jin**, age 40, serves as our chief financial officer and our financial director. Mr. Yue Jin is responsible for managing our finances, evaluating our financial risks and opportunities, and is responsible for financial reporting. Mr. Yue Jin has over 10 years of financial experience. Prior to joining us in January 2020, Mr. Yue Jin served as the financial director at Using Media Group from November 2018 to December 2019. From May 2011 to October 2018, Mr. Yue Jin served as the financial manager and vice financial director at Beijing Zoom Interactive Online Marketing Technology Co., Ltd. Mr. Yue Jin received a bachelor's degree in accounting from Capital University of Economics and Business in Beijing in 2003.

**Kun Zhang**, age 40, has served as the Company's independent director since August 2021. Mr. Kun Zhang has 17 years of experience in corporate finance, investment banking and business management. Since 2018, Mr. Kun Zhang has served as the Vice-Chairman of the Guangdong Automobile Dealers Association. Since 2016, Mr. Kun Zhang has served as the Vice-Chairman of the Guangdong Youths Commercial Chamber. From 2016 to present, Mr. Zhang has been working as the General Manager for Guangzhou Aidi Auto Tech Development Co., Ltd. From 2009 to 2015, Mr. Kun Zhang worked for Eastman Chemical Company (NYSE: EMN), one of the Fortune 500 companies. From 2004 to 2008, Mr. Kun Zhang worked for SIEMENS AG (FWB: SIE; NYSE: SI). Mr. Kun Zhang graduated from the Xi'an University of Science and Technology with a bachelor's degree, and obtained an advanced MBA degree from the School of Economics and Management, Tsinghua University. He is also a member of the Youth Committee Tianhe District, Guangdong Province.

**Weitao Liang**, age 39, has served as the Company’s independent director since June 2021. Mr. Liang has over 14 years of experience in corporate finance and investment banking. Since March 2017, Mr. Liang has served as the head of Global Business Department at China Great Wall Securities Co. Ltd., where he is responsible for forming its Hong Kong subsidiary, undertaking cross-border investment banking and financing business development and supervising a team of global asset management. Since Mr. Liang’s joining China Great Wall Securities Co. Ltd. in July 2012, he consecutively served as Executive Director of Investment Bank Quality Control Department from July 2012 to September 2013, Deputy Managing Director of Investment Bank Quality Control Department from September 2013 to March 2014, Deputy Managing Director of Investment Bank Capital Markets Department from March 2014 to March 2015, head of The National Equities Exchange and Quotations (NEEQ) listing business from March 2015 to March 2017. Prior to that, he consecutively worked in the Investment Banking Department of China Merchants Securities Co. Ltd. from June 2007 to September 2008, Investment Banking Strategic Clients Department of China Merchants Securities Co. Ltd., an investment banking company, from September 2008 to August 2010 and NEEQ Department of China Merchants Securities Co. Ltd. from August 2010 to June 2012. In addition, since September 2019, Mr. Liang has served as the financial advisor of Hainan Hotpot Media Blockchain Science & Tech Co., Ltd., where he provides financing and investment advice. He also served as the M&A advisor of Legend Blockchain & Mining Group Co., Ltd. since November 2019, where he involved in providing solution. Mr. Liang has also served as an independent director at Dunxin Financial Holdings Limited (NYSE: DXF) since April 2021. Mr. Liang received a bachelor’s degree in mathematics from Tongji University in 2004, a master’s degree in operations research from Zhejiang University in 2006 and a master’s degree in engineering management from City University of Hong Kong in 2007.

**Changhong Jiang**, age 45, has served as the Company’s independent director since February 2022. Mr. Changhong Jiang has over 15 years of experience in corporate finance and auditing and is familiar with the reporting requirements of U.S. GAAP. Since June 2019, Mr. Changhong Jiang has served as the deputy general manager, board secretary and partner of Beijing Nano Top Co., Ltd., where he mainly oversees the main functions of the company, including finance, human resources, sales and marketing, and administration. From December 2015 to May 2019, Mr. Jiang served as the deputy general manager of Tianjin Taida Energy Group Co., Ltd. Prior to that, Mr. Changhong Jiang served as the chief financial officer of Peace Map Co., Ltd. (HKEX: 00402) from November 2011 to April 2015. From September 2004 to October 2011, Mr. Jiang served as the audit manager at Renanda Certified Public Accountants LLP, where he successfully assisted several companies in auditing their financials in the initial public offering processes. Mr. Changhong Jiang obtained his bachelor’s degree in accounting from Beijing Forestry University in 2004 and his master of business administration degree from Jilin University in 2015.

### Board Diversity

The table below provides certain information regarding the diversity of our board of directors as of the date of this annual report.

Board Diversity Matrix				
Country of Principal Executive Offices:	China			
Foreign Private Issuer	Yes			
Disclosure Prohibited under Home Country Law	No			
Total Number of Directors	5			
	Female	Male	Non-Binary	Did Not Disclose Gender
<b>Part I: Gender Identity</b>				
Directors	1	4	0	0
<b>Part II: Demographic Background</b>				
Underrepresented Individual in Home Country Jurisdiction			0	
LGBTQ+			0	
Did Not Disclose Demographic Background			0	

### Family Relationships

None of our directors or executive officers has a family relationship as defined in Item 401 of Regulation S-K.

## **B. Compensation**

For the fiscal year ended December 31, 2021, we paid an aggregate of \$94,164.37 in cash to our executive officers, and we paid \$88,102.41 in cash to our non-executive directors. We have not set aside or accrued any amount to provide pension, retirement or other similar benefits to our directors and executive officers. Our PRC subsidiary is 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.

## **Employment Agreements and Indemnification Agreements**

We have entered into employment agreements with each of our executive officers. Under these agreements, each of our executive officers is employed for a specified time period, which will be automatically renewed for additional one-year terms unless either party provides a two-month prior written notice before the end of the current employment term. We may terminate the employment for cause, at any time, without notice or remuneration, for certain acts of the executive officer, including but not limited to the commitments of any serious or persistent breach or non-observance of the terms and conditions of their employment, conviction of a criminal offense, willful disobedience of a lawful and reasonable order, fraud or dishonesty, receiving bribes, or severe neglect of his or her duties. An executive officer may terminate his or her employment at any time with a three-month prior written notice. Each executive officer has agreed to hold, both during and after the employment agreement expires, in strict confidence and not to use or disclose to any person, corporation or other entity without written consent, any confidential information.

We have also entered into indemnification agreements with each of our directors and executive officers. Under these agreements, we agreed 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.

## **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. A director who is in any way, whether directly or indirectly, interested in a contract or proposed contract or arrangement with our company is required to declare the nature of his interest at a meeting of our directors. A director may vote in respect of any contract, proposed contract or arrangement notwithstanding that he may be interested therein, and if he does so his vote shall be counted and he may be counted in the quorum at any meeting of our directors at which any such contract, proposed contract or arrangement is considered. Our directors may exercise all the powers of our company to borrow money, mortgage or charge its undertaking, property and uncalled capital, and to issue debentures 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.

### **Committees of the board of directors**

We have established the following committees in our board of directors: 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 Changhong Jiang, Weitao Liang, and Kun Zhang. Changhong Jiang is the chairman of our audit committee. We have determined that Changhong Jiang, Weitao Liang, and Kun Zhang satisfy the "independence" requirements of the Nasdaq corporate governance rules and Rule 10A-3 under the Securities Exchange Act. Our board also has determined that Mr. Changhong Jiang qualifies as an audit committee financial expert within the meaning of the SEC rules or possesses financial sophistication within the meaning of the Nasdaq corporate governance rules. 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:

- appointing the independent auditors and pre-approving all auditing and non-auditing services permitted to be performed by the independent auditors;

- reviewing any audit problems or difficulties and management’s response with the independent auditors;
- discussing the annual audited financial statements with management and the independent auditors;
- reviewing the adequacy and effectiveness of our accounting and internal control policies and procedures and any steps taken to monitor and control major financial risk exposures;
- reviewing and approving all proposed related party transactions;
- meeting separately and periodically with management and the independent auditors; and
- monitoring compliance with our code of business conduct and ethics, including reviewing the adequacy and effectiveness of our procedures to ensure proper compliance.

**Compensation Committee.** Our compensation committee consists of Kun Zhang, Weitao Liang, and Changhong Jiang. Mr. Kun Zhang is the chairperson of our compensation committee. We have determined that Kun Zhang, Weitao Liang, and Changhong Jiang satisfy the “independence” requirements of the Nasdaq corporate governance rules and Rule 10C-1 under the Securities Exchange Act. The compensation committee assists the board in reviewing and approving the compensation structure, including all forms of compensation, relating to our directors and executive officers. Our chief executive officer may not be present at any committee meeting during which his compensation is deliberated. The compensation committee is responsible for, among other things:

- reviewing and recommending compensation packages for our most senior executive officers to the board;
- approving and overseeing compensation packages for our executives other than the most senior executive officers;
- reviewing and recommending to the board with respect to the compensation of our directors;
- reviewing periodically and approving any long-term incentive compensation or equity plans;
- selecting compensation consultants, legal counsel or other advisors after taking into consideration all factors relevant to that person’s independence from management; and
- reviewing programs or similar arrangements, annual bonuses, employee pension and welfare benefit plans.

**Nominating and Corporate Governance Committee.** Our nominating and corporate governance committee consists of Weitao Liang, Changhong Jiang, and Kun Zhang. Mr. Weitao Liang is the chairperson of our nominating and corporate governance committee. Weitao Liang, Changhong Jiang, and Kun Zhang satisfy the “independence” requirements of the Nasdaq corporate governance rules. The nominating and corporate governance committee assists the board of directors 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:

- identifying and recommending nominees for election or re-election to our board of directors or for appointment to fill any vacancy;
- reviewing annually with our board of directors its current composition in light of the characteristics of independence, age, skills, experience and availability of service to us;
- identifying and recommending to our board the directors to serve as members of committees;
- advising the board periodically with respect to significant developments in the law and practice of corporate governance as well as our compliance with applicable laws and regulations, and making recommendations to our board of directors on all matters of corporate governance and on any corrective action to be taken; and

- monitoring compliance with our code of business conduct and ethics, including reviewing the adequacy and effectiveness of our procedures to ensure proper compliance.

#### **Duties of Directors**

Under Cayman Islands law, 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 have a duty to exercise skills they actually possess and such care and diligence that a reasonably prudent person would exercise in comparable circumstances. It was previously considered that a director need not exhibit in the performance of his duties a greater degree of skill than what may reasonably be expected from a person of his knowledge and experience. However, English and Commonwealth courts have moved towards an objective standard with regard to the required skill and care, and these authorities are likely to be followed in the Cayman Islands. In fulfilling their duty of care to us, our directors must ensure compliance with our memorandum and articles of association, as amended and restated from time to time, 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. A shareholder may in certain circumstances have rights to damages if a duty owed by the directors is breached.

Our board of directors has all powers necessary for managing, and for directing and supervising, our business affairs. The functions and powers of our board of directors include, among others:

- convening shareholders' annual general meetings and reporting its work to shareholders at such meetings;
- declaring dividends and distributions;
- appointing officers and determining the terms of office of the officers;
- exercising the borrowing powers of our company and mortgaging the property of our Company; and
- approving the transfer of shares in our Company, including the registration of such shares in our share register.

#### **Terms of Directors and Executive Officers**

Our directors may be elected by a resolution of our board of directors or by an ordinary resolution of our shareholders. Our directors are not subject to a term of office and hold office until such time as they are removed from office by ordinary resolution of our shareholders. A director will cease to be a director 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 or becomes of unsound mind; (iii) resigns his or her office by notice in writing to our company; or (iv) without special leave of absence from our board, is absent from three consecutive board meetings and our directors resolve that his office be vacated.

Our officers are elected by and serve at the discretion of the board of directors.

## D. Employees

As of December 31, 2019, 2020 and 2021, we had a total of 75, 78 and 128 employees, all of which are located in China. The following table sets forth the breakdown of our employees by function as of December 31, 2021:

	As of December 31, 2021	
	Number	% of Total
<b>Functions:</b>		
Sales and marketing	14	11 %
Advertiser services	7	5 %
Ad optimization	87	68 %
Media relationships	4	3 %
Management and administration	16	13 %
<b>Total</b>	<b>128</b>	<b>100 %</b>

Our success depends on our ability to attract, retain and motivate qualified personnel. As part of our human resources strategy, we offer employees competitive salaries, performance-based cash bonuses and other incentives.

We primarily recruit our employees in China through direct hiring. We provide robust training programs for new employees that we hire. We also conduct regular and specialized internal training to meet the need of our employees in different departments. We believe such training program is effective in equipping our employees with the skill set and work ethics we require.

As required under PRC regulations, we participate in various employee social security plans that are organized by applicable local municipal and provincial governments, including housing, pension, medical, work-related injury, maternity and unemployment benefit plans.

We enter into standard contracts and agreements regarding confidentiality, intellectual property, employment, ethic policies and non-competition with most of our executive officers, managers and employees. These contracts typically include a non-competition provision effective during and up to one year after termination of their employment with us and a confidentiality provision effective during and up to one year after their employment with us.

Our employees have not formed any employee union or association. We believe we maintain a good working relationship with our employees and we have not experienced any difficulty in recruiting staff for our operations as of the date of this annual report.

## E. Share Ownership

Except as specifically noted, the following table sets forth information with respect to the beneficial ownership of our Ordinary Shares as of May 16, 2022 by:

- each of our directors and executive officers; 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 29,260,784 Ordinary Shares issued and outstanding as of May 16, 2022.

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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.

	Ordinary Shares Beneficially Owned		
	Number	Percentage of total Ordinary Shares*	Percentage of aggregate voting power**
<b>Directors and Executive Officers: †</b>			
Wenxiu Zhong <sup>(1)</sup>	6,600,000	22.56 %	22.56 %
Sheng Gong <sup>(2)</sup>	660,000	2.26 %	0 %
<b>All directors and executive officers as a group:</b>	6,600,000	22.56 %	22.56 %
<b>5% Shareholders:</b>			
Deng Guan BVI	4,600,000	15.72 %	15.72 %
PBCY Investment	6,000,000	20.51 %	20.51 %
EJAM BVI	2,042,986	6.98 %	6.98 %

*Notes:*

\* For each person included in this column, percentage ownership is calculated by dividing the number of Ordinary Shares beneficially owned by such person by the sum of the total number of outstanding shares.

\*\* 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 business address for our directors and executive officers is Floor 15, Yonghe East Building B, No.28 Andingmen East Avenue, Dongcheng District, Beijing, People's Republic of China.

(1) Represents the number of Ordinary Shares beneficially owned by Ms. Wenxiu Zhong through An Rui Tai BVI, a business company incorporated under the laws of the BVI, which is owned as to 90% by Ms. Wenxiu Zhong. The registered address of An Rui Tai BVI is Craigmuir Chambers, Road Town, Tortola, VG 1110, British Virgin Islands.

(2) Represents the number of Ordinary Shares beneficially owned by Mr. Sheng Gong through An Rui Tai BVI, a business company incorporated under the laws of the BVI, which is owned as to 10% by Mr. Sheng Gong. The registered address of An Rui Tai BVI is Craigmuir Chambers, Road Town, Tortola, VG 1110, British Virgin Islands.

As of the date of this annual report, approximately 30.28% of our issued and outstanding Ordinary Shares are held in the United States by one record holder (Cede and Company).

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.

**ITEM 7. MAJOR SHAREHOLDERS AND RELATED PARTY TRANSACTIONS**

**A. Major Shareholders**

See “Item 6. Directors, Senior Management and Employees—E. Share Ownership.”

**B. Related Party Transactions**

**Material Transactions with Related Parties**

**1) Nature of relationships with related parties**

<b>Name</b>	<b>Relationship with the Company</b>
EJAM GROUP Co., Ltd. (“EJAM Group”)	Indirectly hold a 6.8% equity interest in the Company
Pubang Landscape Architecture (HK) Company Limited (“Pubang Hong Kong”)	Indirectly hold a 20.5% equity interest in the Company
Horgos Zhijiantiancheng	Controlled by EJAM Group
Guangzhou Yijiantiancheng Technology Co., Ltd. (“Guangzhou Yijiantiancheng”)	Controlled by EJAM Group
Horgos Meitui Network Technology Co., Ltd. (“Horgos Meitui”)	Controlled by EJAM Group, and was disposed of by EJAM Group on March 24, 2020
Ms. Wenxiu Zhong	Chairperson of the Board of Directors, CEO and indirect equity shareholder of the Company
Anruitai Investment Limited (“Anruitai”)	90% owned by Ms. Wenxiu Zhong and 10% owned by Mr. Sheng Gong, the Director and indirect equity shareholder of the Company

**2) Transactions with related parties**

	<b>For the Years Ended December 31,</b>		
	<b>2021</b>	<b>2020</b>	<b>2019</b>
<b>Gross billing from a related party</b>			
Horgos Zhijiantiancheng	\$ 83,909	\$ –	\$ –
Guangzhou Yijiantiancheng	8,743	–	–
	<b>\$ 92,652</b>	<b>\$ –</b>	<b>\$ –</b>
<b>Services purchased from related parties</b>			
Horgos Zhijiantiancheng	\$ 11,298,397	\$ –	\$ –
Horgos Meitui	\$ –	\$ –	\$ 8,530
<b>Rental fees charged by a related party</b>			
EJAM Group (a)	\$ –	\$ –	\$ 120,284

(a) On October 1, 2017, the Company entered into an office rental agreement with EJAM Group with a monthly rental fee of approximately \$40,000 (RMB 293,349). The lease agreement expired on March 31, 2019.

### 3) Balances with related parties

As of December 31, 2021 and 2020, the balances with related parties were as follows:

	December 31, 2021	December 31, 2020
<b>Media deposits</b>		
Horgos Zhijiantiancheng (a)	\$ 1,426,419	\$ —
<b>Prepayments</b>		
Horgos Zhijiantiancheng (a)	\$ 2,361,779	\$ —
<b>Due from related parties</b>		
Ms. Wenxiu Zhong (b)	\$ 1,720,102	\$ —
Anruitai Investment Limited	28,667	—
	\$ 1,748,769	\$ —

- (a) Horgos Zhijiantiancheng is both a media and advertiser with the Company. For the year ended December 31, 2021, the Company provided services to Horgos Zhijiantiancheng and paid media deposits with Horgos Zhijiantiancheng.
- (b) As of December 31, 2021, the Company had amount due from Ms. Wenxiu Zhong of \$1,734,604 with the amount due to Ms. Wenxiu Zhong of \$14,502 being net off on the consolidated balance sheet. In connection with the lawsuit case filed by Ms. Chen Chen in June 2019 (Note 17), Ms. Wenxiu Zhong promised to unconditionally, irrevocably and personally bear all the potential economic expenses and losses arising from the Equity Ownership Dispute and the Contract Dispute. On February 8, 2022, the final judgment was enforced by the court with a total of RMB10,917,701 (approximately \$1,713,225) applied to the satisfaction of such judgment and the payment in full of the related fees and expenses. Accordingly, Beijing Baosheng requested Ms. Wenxiu Zhong to perform her obligations under the Guarantee Letter by reimbursing Beijing Baosheng's litigation costs, including, but not limited to, the amount of damages imposed by the courts, court expenses, and attorney fees. As of December 31, 2021, the Company recorded a receivable of RMB11,053,940 (\$1,734,604) due from Ms. Wenxiu Zhong. As of March 7, 2022, Ms. Wenxiu Zhong had fully settled such balance by making cash payments in aggregate amount of RMB11,053,940 (\$1,734,604).

As of December 31, 2021 and 2020, the balances due to related parties were as follows:

	December 31, 2021	December 31, 2020
<b>Other payable</b>		
EJAM GROUP	\$ —	\$ 74,330
Pubang Hong Kong (a)	—	626,628
Wenxiu Zhong	—	14,588
	\$ —	\$ 715,546

- (a) As of December 31, 2020, the balance of \$626,628 represents the third party services and consulting fees that were paid by Pubang Hong Kong on behalf of the Company. The Company has fully repaid the outstanding balance subsequently in March 2021.

#### Employment Agreements and Indemnification Agreements

See "Item 6. Directors, Senior Management and Employees—B. Compensation of Directors and Executive Officers—Employment Agreements and Indemnification Agreements."

#### C. Interests of Experts and Counsel

Not applicable.

## ITEM 8. FINANCIAL INFORMATION

### A. Consolidated Statements and Other Financial Information

We have appended consolidated financial statements filed as part of this annual report.

#### Legal Proceedings

We may from time to time become a party to various legal administrative proceedings arising in our ordinary course of our business. As of the date of this annual report, we are a party to one pending and one recently decided material legal proceedings.

On April 16, 2019, Ms. Chen Chen filed a lawsuit in a court in Beijing against Beijing Baosheng, with Baosheng Hong Kong named as third party in the complaint, requesting to be recognized as a 5% equity interest holder in Beijing Baosheng pursuant to an equity ownership agreement Ms. Chen Chen previously signed with Beijing Baosheng on March 17, 2016 (the “Equity Ownership Agreement”) (the “Equity Ownership Dispute”). Ms. Chen Chen claimed that she had satisfied the conditions set forth in the Equity Ownership Agreement and was accordingly entitled to the 5% equity interest in Beijing Baosheng. Ms. Chen Chen sought to be recognized as 5% equity interest holder in Beijing Baosheng and receive such equity interest, and to be compensated for litigation related expenses. On June 2, 2020, Ms. Chen Chen voluntarily filed a motion to withdraw this case. On June 16, 2020, the court granted the motion.

In addition, in June 2019, Ms. Chen Chen filed another lawsuit in a court in Beijing against Beijing Baosheng (the “Contractual Dispute”), seeking to terminate the Equity Ownership Agreement compensation in the amount of RMB47.65 million (\$6,838,404), representing the alleged fair market value of the 5% equity interest in Beijing Baosheng to which she claimed title, and for any litigation related expenses. On July 30, 2021, the court issued a judgment ruling that the Equity Ownership Agreement was terminated on October 16, 2020 and requiring Beijing Baosheng to compensate Ms. Chen Chen RMB10,739,877 (approximately \$1,685,321). Both parties have appealed the ruling to an intermediate court. On January 12, 2022, Beijing Baosheng received a final judgment from the intermediate court, upholding the original judgment issued on July 30, 2021. According to the original judgment, Beijing Baosheng is required to pay the plaintiff RMB10,739,877 (approximately \$1,685,321) and court expenses of RMB71,421 (approximately \$11,207). On February 8, 2022, the final judgment was enforced by the court with a total of RMB10,917,701 (approximately \$1,713,225) being withdrawn from one of the frozen bank accounts of Beijing Baosheng, the bank account at Bank of Hangzhou, which was unfrozen afterwards, and which amount was applied to the satisfaction of such judgment and the payment in full of the related fees and expenses. As confirmed by Beijing Baosheng’s PRC counsel, the Freezing Order (including the freezing of Beijing Baosheng’s equity interests in Horgos Baosheng and Kashi Baosheng) will be reversed and all of the impacted assets will be unfrozen, accordingly. As of the date of this annual report, three out of the four frozen accounts have been unfrozen and the unfreezing procedure for the remaining one account is still in progress, which is expected to be completed by the end of July 2022. Additionally, the unfreezing procedure related to Beijing Baosheng’s equity interests in Horgos Baosheng and Kashi Baosheng is still in progress. We expect that the impacted equity interests will be unfrozen in August 2022.

On April 2, 2020, the chairperson of the Company’s board of directors and the chief executive officer of the Company, Ms. Wenxiu Zhong, executed the Guarantee Letter, pursuant to which, Ms. Wenxiu Zhong promised to unconditionally, irrevocably and personally bear any and all the economic expenses and losses actually incurred by Beijing Baosheng, Baosheng Hong Kong, and the Company in connection with the Equity Ownership Dispute and the Contractual Dispute, including, but not limited to, the amount of damages imposed by the courts, court expenses and attorney fees.

Accordingly, Beijing Baosheng requested Ms. Wenxiu Zhong to perform her obligations under the Guarantee Letter by reimbursing Beijing Baosheng’s litigation costs, including, but not limited to, the amount of damages imposed by the courts, court expenses, and attorney fees. As of March 10, 2022, as promised by the Guarantee Letter, Ms. Zhong has made the payment in cash of RMB11,053,940 (approximately \$1,734,604) to Beijing Baosheng. Such payment made by Ms. Zhong includes the amount paid to Ms. Chen Chen as ordered by the courts plus interest as well as the court expense, attorney fee, and court enforcement fee.

Further, Ms. Chen Chen filed a labor dispute case against Horgos Baosheng, Beijing Branch with the Beijing Shijingshan District Labor Dispute Arbitration Committee (the “Committee”) on the grounds that her previous employment with Horgos Baosheng, Beijing Branch was wrongfully terminated. Ms. Chen Chen sought compensation for her lost pay, lost benefits, and litigation related expenses, and award of punitive damages. The Committee issued a judgment on August 23, 2019, ruling in favor of Ms. Chen Chen and granted her the damages in the sum of RMB424,161 (\$60,873). Horgos Baosheng, Beijing Branch appealed the case to a court in Beijing in

December 2019. On April 23, 2020, the court issued a final judgment that upheld the previous ruling. As a result, we compensated Ms. Chen Chen a total of RMB424,161 (\$60,873) on May 28, 2020.

As we routinely enter into business contracts with our advertisers, we have been and may continue to be involved in legal proceedings arising from contract disputes.

In 2019, Horgos Baosheng brought a breach of contract claim against Qingdao Xingyuan Automobile Information Technology Co., Ltd. (“Qingdao Xingyuan”) and sought recovery of RMB3.85 million in aggregate. On December 21, 2020, the reviewing court entered a judgment, ruling in favor of Horgos Baosheng and requiring Qingdao Xingyuan to compensate Horgos Baosheng RMB3.25 million and an extra penalty calculated based on the loan prime rate from August 28, 2019 to the actual date of payment. As of the date of this annual report, the judgment is under the stage of enforcement.

In April 2020, Beijing Baosheng brought a breach of contract claim against Guangzhou Aiyou Information Technology Co. Ltd. (“Guangzhou Aiyou”) and sought recovery of RMB1,255,000 in aggregate. On August 22, 2020, the Beijing arbitration committee entered a judgment, ruling in favor of Beijing Baosheng and requiring Guangzhou Aiyou to compensate Beijing Baosheng RMB1,255,000, with a penalty of RMB592,360, and an extra daily penalty of 0.05%, calculated from April 21, 2020 to the actual date of payment, and arbitration-related expenses. On November 17, 2020, Beijing Baosheng filed a request with Guangzhou Intermediate People’s Court, seeking to mandatorily enforce the judgment. As of the date of this annual report, the judgment is under the stage of enforcement.

In June 2021, Baosheng Technology brought a breach of contract claim against Beijing 5198 Technology Co., Ltd. (“5198”) and Jiangxi Wanda Shikong Technology Co., Ltd. (“Wanda Shikong”) in the Beijing Haidian District People's Court through the first hearing and sought recovery of RMB5,933,200 (approximately \$931,429) and related liquidated damages. 5198 and Wan Shikong had paid RMB5,000,000 (approximately \$784,929) as a security deposit to Baosheng Technology and Baosheng Technology believes that such security deposit can be used to offset the RMB5,933,200 recovery. In the meantime, the Company has requested the court to froze the two bank accounts of 5198 and Wanda Shikong with a total amount of RMB378,337 (approximately \$53,393). On March 7, 2022, the court held the second hearing. On April 20, 2022, taking into account the defendant parties’ financial situation as well as the long-term business relationship among the parties, Baosheng decided to withdraw its action against 5198 and only sought recovery of RMB370,000 (approximately \$56,024) from Wanda Shikong. Wanda Shikong made no objection to the changed claims. Both parties agreed to resolve this dispute through court mediation. Subsequently, on April 24, 2022, the court issued a civil mediation statement confirming that the parties had reached the following agreement: (1) Wanda Shikong shall pay Beijing Baosheng RMB370,000 (approximately \$56,024) by April 26, 2022, and (2) the litigation-related expenses shall be borne by Beijing Baosheng. As of the date of this annual report, Beijing Baosheng has not yet received the payment from Wanda Shikong.

In January 2022, Beijing Baosheng brought a breach of contract claim against Beijing Hekai Qianyu Intelligent Technology Co., Ltd. (“Hekai Qianyu”) and Beijing Zhigu Education Technology Co., Ltd. (“Zhigu Education”) and Mr. Hongpeng Yao (the legal representatives of both Hekai Qianyu and Zhigu Education) in the Beijing Dongcheng District People's Court and sought recovery of RMB756,000 (approximately \$118,681) and related liquidated damages. Beijing Baosheng subsequently withdraw its action against Zhigu Education and agreed to resolve this dispute with the other two defendants through court mediation. On March 25, 2022, the court issued a civil mediation statement confirming that the parties had reached the following agreement: (1) Hekai Qianyu shall pay Beijing Baosheng RMB756,000 (approximately \$118,681) by April 24, 2022, and in case of any late payment of the foregoing, an additional daily penalty calculated from April 25, 2022 to the actual date of payment shall be imposed; (2) Mr. Hongpeng Yao assumes jointly and several liability for the payment under item (1); and (3) the litigation-related expenses shall be borne by Hekai Qianyu and Mr. Hongpeng Yao. On April 25, 2022, Beijing Baosheng filed a request with the court, seeking to mandatorily enforce the settlement. As of the date of this annual report, Beijing Baosheng has not yet received any payment from the defendants.

In March 2022, Beijing Baosheng brought a breach of contract claim against Beijing Aipu New Media Technology Co., Ltd. (“Aipu”) in the Beijing Haidian District People's Court and sought recovery of RMB1,783,834.04 (approximately \$270,102) and related liquidated damages. On March 14, 2022, Beijing Baosheng applied for reservation of Aipu’s property in an amount of RMB1,783,834.04 (approximately \$270,102) and said application was approved by the court on March 17, 2022. As of the date of this prospectus, Beijing Baosheng is waiting for the court’s notice on the following procedures.

### **Freezing Order**

In the litigation process of the Contractual Dispute, Ms. Chen Chen requested Haidian Court to issue a freezing order and freeze the assets of Beijing Baosheng at the time of request, which were worth a total of RMB47.65 million. On July 25, 2019, Haidian Court issued freezing injunction, ordering the freezing of the assets of Beijing Baosheng in the amount of RMB47.7 million (the “Freezing Order”).

Pursuant to the Freezing Order, Beijing Baosheng’s assets in the amount of RMB47.7 million were ordered to be frozen, including the 100% equity interest in Horgos Baosheng and Kashi Baosheng, as well as four bank accounts of Beijing Baosheng.

Pursuant to applicable PRC laws and regulations, if a company’s equity interest is frozen by a court order, the company’s shareholders may be restricted in: (a) transferring or pledging the equity interest, (b) receiving dividends from the company, and (c) voting for the dissolution and winding up of the company, the forgiving of matured loans, or other decisions that may impact the value of equity interest of the company.

On January 12, 2022, Beijing Baosheng received a final judgment from the intermediate court, upholding the original judgment issued on July 30, 2021. According to the original judgment, Beijing Baosheng is required to pay the plaintiff RMB10,739,877 (approximately \$1,685,321 and court expenses RMB71,421 (approximately \$11,207). In addition, Beijing Baosheng is required to pay the plaintiff RMB28,192 (approximately US\$4,424) of interest and the court enforcement fee of RMB78,211 (approximately \$12,273). On February 8, 2022, the final judgment was enforced by the court with a total of RMB10,917,701 (approximately \$1,713,225) being withdrawn from one of the frozen bank accounts of Beijing Baosheng, the bank account at Bank of Hangzhou, which was unfrozen afterwards, and which amount was applied to the satisfaction of such judgment and the payment in full of the related fees and expenses.

As confirmed by Beijing Baosheng’s PRC counsel, the Freezing Order (including the freezing of Beijing Baosheng’s equity interests in Horgos Baosheng and Kashi Baosheng) will be reversed and all of the impacted assets will be unfrozen, accordingly. As of the date of this annual report, three out of the four frozen accounts have been unfrozen and the unfreezing procedure for the remaining one account is still in progress, which is expected to be completed by the end of July 2022. Additionally, the unfreezing procedure related to Beijing Baosheng’s equity interests in Horgos Baosheng and Kashi Baosheng is still in progress. We expect that the impacted equity interests will be unfrozen in August 2022. As of May 16, 2022, the following assets of Beijing Baosheng were still frozen pursuant to the Freezing Order:

- (1) 100% equity interest in Horgos Baosheng;
- (2) 100% equity interest in Kashi Baosheng; and
- (3)\* cash in the amount of RMB0.5 million in a bank account at Beijing Qinghua East Road Branch of Bank of China.

\* The bank account at Beijing Qinghua East Road Branch of Bank of China was frozen pursuant to the Freezing Order on April 15, 2021.

According to Ms. Wenxiu Zhong’s Guarantee Letter, Beijing Baosheng requested Ms. Wenxiu Zhong to fulfill her obligations under the Guarantee Letter by reimbursing Beijing Baosheng’s litigation costs, including, but not limited to, the amount of damages imposed by the courts, court expenses, attorney fees, and other reasonably related expenses. As of March 10, 2022, as promised by the Guarantee Letter, Ms. Zhong had made the payment in cash of RMB11,053,940 (approximately \$1,734,604) to Beijing Baosheng. Such payment made by Ms. Zhong includes the amount paid to Ms. Chen Chen as ordered by the courts plus interest as well as the court expense, attorney fee, and court enforcement fee.

### **Dividend Policy**

We do not have any present plan to pay any cash dividends on our Ordinary Shares in the foreseeable future. We currently intend to retain most, if not all, of our available funds and any future earnings to operate and expand our business.

We are a holding company incorporated in the Cayman Islands. We rely principally on dividends from our PRC subsidiary for our cash requirements, including any payment of dividends to our shareholders. PRC regulations may restrict the ability of our PRC subsidiary to pay dividends to us.

Our board of directors has discretion as to whether to distribute dividends, subject to certain requirements of Cayman Islands law. 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.

**B. Significant Changes**

Except as disclosed elsewhere in this annual report, we have not experienced any significant changes since the date of our audited consolidated financial statements included in this annual report.

**ITEM 9. THE OFFER AND LISTING**

**A. Offering and Listing Details**

Our Ordinary Shares have been listed on the Nasdaq Capital Market since February 8, 2021. Our Ordinary Shares trade under the symbol “BAOS.”

**B. Plan of Distribution**

Not applicable.

**C. Markets**

Our Ordinary Shares have been listed on the Nasdaq Capital Market since February 8, 2021. Our Ordinary Shares trade under the symbol “BAOS.”

**D. Selling Shareholders**

Not applicable.

**E. Dilution**

Not applicable.

**F. Expenses of the Issue**

Not applicable.

**ITEM 10. ADDITIONAL INFORMATION**

**A. Share Capital**

Not applicable.

**B. Memorandum and Articles of Association**

We are an exempted company with limited liability incorporated under the laws of the Cayman Islands and our affairs are governed by our Amended and Restated Memorandum and Articles of Association, as amended and restated from time to time, and Companies Act (As Revised) of the Cayman Islands, which we refer to as the Companies Act or the Cayman Companies Act below, and the common law of the Cayman Islands.

We incorporate by reference into this annual report our Amended and Restated Memorandum and Articles of Association, filed as Exhibit 3.1 to our registration statement on Form F-1 (File Number 333-239800) filed with the SEC on July 10, 2020, as amended. Our shareholders adopted our Amended and Restated Memorandum and Articles of Association by a special resolution on July 20, 2020 and effective on February 10, 2021.

The following are summaries of material provisions of our Amended and Restated Memorandum and Articles of Association and the Companies Act insofar as they relate to the material terms of our Ordinary Shares.

### **Board of Directors**

See “Item 6. Directors, Senior Management and Employees.”

### **Ordinary Shares**

#### ***General***

Our authorized share capital is US\$50,000 divided into 100,000,000 Ordinary Shares, par value \$0.0005 per share. All of our issued and outstanding Ordinary Shares are fully paid and non-assessable. Certificates representing the Ordinary Shares are issued in registered form.

#### ***Dividends***

Subject to the provisions of the Cayman Companies Act and any rights attaching to any class or classes of shares under and in accordance with the articles:

- (a) the directors may declare dividends or distributions out of our funds which are lawfully available for that purpose; and
- (b) the Company’s shareholders may, by ordinary resolution, declare dividends but no such dividend shall exceed the amount recommended by the directors.

Subject to the requirements of the Cayman Companies Act regarding the application of a company’s share premium account and with the sanction of an ordinary resolution, dividends may also be declared and paid out of the funds of our Company lawfully available therefor. The directors when paying dividends to shareholders may make such payment either in cash or in specie.

Unless provided by the rights attached to a share, no dividend shall bear interest.

#### ***Voting Rights***

Subject to any rights or restrictions as to voting attached to any shares, unless any share carries special voting rights, on a show of hands every shareholder who is present in person and every person representing a shareholder by proxy shall have one vote per Ordinary Share. On a poll, every shareholder who is present in person and every person representing a shareholder by proxy shall have one vote for each share of which he or the person represented by proxy is the holder. In addition, all shareholders holding shares of a particular class are entitled to vote at a meeting of the holders of that class of shares. Votes may be given either personally or by proxy.

#### ***Variation of Rights of Shares***

Whenever our capital is divided into different classes of shares, the rights attaching to any class of share (unless otherwise provided by the terms of issue of the shares of that class) may be varied with the consent in writing of all of the holders of the issued shares of that class or with the sanction of a special resolution passed at a separate meeting of the holders of the shares of that class. The necessary quorum shall be one or more persons holding or representing by proxy at least one-third in nominal or par value amount of the issued shares of the relevant class (but so that if at any adjourned meeting of such holders a quorum as above defined is not present, those shareholders who are present shall form a quorum).

Unless the terms on which a class of shares was issued state otherwise, the rights conferred on the shareholder holding shares of any class shall not be deemed to be varied by the creation or issue of further shares ranking *pari passu* with the existing shares of that class or subsequent to them or the redemption or purchase of any shares of any class by our company. The rights conferred upon the holders of the shares of any class issued shall not be deemed to be varied by the creation or issue of shares with preferred or other rights including, without limitation, the creation of shares with enhanced or weighted voting rights.

#### ***Alteration of Share Capital***

Subject to the Cayman Companies Act, our shareholders may, by ordinary resolution:

- (a) increase our share capital by new shares of the amount fixed by that ordinary resolution and with the attached rights, priorities and privileges set out in that ordinary resolution;
- (b) consolidate and divide all or any of our share capital into shares of larger amount than our existing shares;
- (c) convert all or any of our paid up shares into stock, and reconvert that stock into paid up shares of any denomination;
- (d) sub-divide our shares or any of them into shares of an amount smaller than that fixed, so, however, that in the sub-division, the proportion between the amount paid and the amount, if any, unpaid on each reduced share shall be the same as it was in case of the share from which the reduced share is derived; and
- (e) cancel shares which, at the date of the passing of that ordinary resolution, have not been taken or agreed to be taken by any person and diminish the amount of our share capital by the amount of the shares so cancelled or, in the case of shares without nominal par value, diminish the number of shares into which our capital is divided.

Subject to the Cayman Companies Act and to any rights for the time being conferred on the shareholders holding a particular class of shares, our shareholders may, by special resolution, reduce its share capital in any way.

#### ***Liquidation***

If we are wound up, the shareholders may, subject to the articles and any other sanction required by the Cayman Companies Act, pass a special resolution allowing the liquidator to do either or both of the following:

- (a) to divide in specie among the shareholders the whole or any part of our assets and, for that purpose, to value any assets and to determine how the division shall be carried out as between the shareholders or different classes of shareholders; and
- (b) to vest the whole or any part of the assets in trustees for the benefit of shareholders and those liable to contribute to the winding up.

The directors have the authority to present a petition for our winding up to the Grand Court of the Cayman Islands on our behalf without the sanction of a resolution passed at a general meeting.

#### ***Calls on Shares and Forfeiture***

Subject to the terms of allotment, the directors may make calls on the shareholders in respect of any monies unpaid on their shares including any premium and each shareholder shall (subject to receiving at least 14 calendar days' notice specifying when and where payment is to be made), pay to us the amount called on his shares. Shareholders registered as the joint holders of a share shall be jointly and severally liable to pay all calls in respect of the share. If a call remains unpaid after it has become due and payable the person from whom it is due and payable shall pay interest on the amount unpaid from the day it became due and payable until it is paid at the rate fixed by the terms of allotment of the share or in the notice of the call or if no rate is fixed, at the rate of ten percent per annum. The directors may, at their discretion, waive payment of the interest wholly or in part.

We have a first and paramount lien on all shares (whether fully paid up or not) registered in the name of a shareholder (whether solely or jointly with others). The lien is for all monies payable to us by the shareholder or the shareholder's estate:

- (a) either alone or jointly with any other person, whether or not that other person is a shareholder; and
- (b) whether or not those monies are presently payable.

At any time the directors may declare any share to be wholly or partly exempt from the lien on shares provisions of the articles.

We may sell, in such manner as the directors may determine, any share on which the sum in respect of which the lien exists is presently payable, if due notice that such sum is payable has been given (as prescribed by the articles) and, within 14 days of the date or other longer period as specified in the notice on which the notice is deemed to be given under the articles, such notice has not been complied with.

#### ***Unclaimed Dividend***

A dividend that remains unclaimed for a period of six years after it became due for payment shall be forfeited to, and shall cease to remain owing by, the company.

#### ***Forfeiture or Surrender of Shares***

If a shareholder fails to pay any capital call, the directors may give to such shareholder not less than 14 clear days' notice requiring payment and specifying the amount unpaid including any interest which may have accrued, any expenses which have been incurred by us due to that person's default and the place where payment is to be made. The notice shall also contain a warning that if the notice is not complied with, the shares in respect of which the call is made will be liable to be forfeited.

If such notice is not complied with, the directors may, before the payment required by the notice has been received, resolve that any share the subject of that notice be forfeited (which forfeiture shall include all dividends or other monies payable in respect of the forfeited share and not paid before such forfeiture).

A forfeited share may be sold, re-allotted or otherwise disposed of on such terms and in such manner as the directors determine and at any time before a sale, re-allotment or disposition the forfeiture may be cancelled on such terms as the directors think fit.

A person whose shares have been forfeited shall cease to be a shareholder in respect of the forfeited shares, but shall, notwithstanding such forfeiture, remain liable to pay to us all monies which at the date of forfeiture were payable by him to us in respect of the shares, together with all expenses and interest from the date of forfeiture or surrender until payment, but his liability shall cease if and when we receive payment in full of the unpaid amount.

A declaration, whether statutory or under oath, made by a director or the secretary shall be conclusive evidence that the person making the declaration is our director or secretary and that the particular shares have been forfeited or surrendered on a particular date.

Subject to the execution of an instrument of transfer, if necessary, the declaration shall constitute good title to the shares.

#### ***Share Premium Account***

The directors shall establish a share premium account and shall carry the credit of such account from time to time to a sum equal to the amount or value of the premium paid on the issue of any share or capital contributed or such other amounts required by the Cayman Companies Act.

### ***Redemption and Purchase of Own Shares***

Subject to the Cayman Companies Act and any rights for the time being conferred on the shareholders holding a particular class of shares, we may by action of our directors:

- (a) issue shares that are to be redeemed or liable to be redeemed, at our option or the shareholder holding those redeemable shares, on the terms and in the manner our directors determine before the issue of those shares;
- (b) with the consent by special resolution of the shareholders holding shares of a particular class, vary the rights attaching to that class of shares so as to provide that those shares are to be redeemed or are liable to be redeemed at our option on the terms and in the manner which the directors determine at the time of such variation; and
- (c) purchase all or any of our own shares of any class including any redeemable shares on the terms and in the manner which the directors determine at the time of such purchase.

We may make a payment in respect of the redemption or purchase of its own shares in any manner authorized by the Cayman Companies Act, including out of any combination of capital, our profits and the proceeds of a fresh issue of shares.

When making a payment in respect of the redemption or purchase of shares, the directors may make the payment in cash or in specie (or partly in one and partly in the other) if so authorized by the terms of the allotment of those shares or by the terms applying to those shares, or otherwise by agreement with the shareholder holding those shares.

### ***Transfer of Shares***

Provided that a transfer of Ordinary Shares complies with applicable rules of Nasdaq, a shareholder may transfer Ordinary Shares to another person by completing an instrument of transfer in a common form or in a form prescribed by Nasdaq or in any other form approved by the directors, executed:

- (a) where the Ordinary Shares are fully paid, by or on behalf of that shareholder; and
- (b) where the Ordinary Shares are partly paid, by or on behalf of that shareholder and the transferee.

The transferor shall be deemed to remain the holder of an Ordinary Share until the name of the transferee is entered into the register of members of the Company.

Where the Ordinary Shares in question are not listed on or subject to the rules of Nasdaq, our board of directors may, in its absolute discretion, decline to register any transfer of any Ordinary Share that has not been fully paid up or is subject to a company lien. Our board of directors may also decline to register any transfer of such Ordinary Share unless:

- (a) 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;
- (b) the instrument of transfer is in respect of only one class of Ordinary Shares;
- (c) the instrument of transfer is properly stamped, if required;
- (d) in the case of a transfer to joint holders, the number of joint holders to whom the Ordinary Shares are to be transferred does not exceed four; and

If our directors refuse to register a transfer, they are required, within one month after the date on which the instrument of transfer was lodged, to send to each of the transferor and the transferee notice of such refusal.

The registration of transfers may, on prior notice being given by advertisement in such one or more newspapers or by electronic means, be suspended and our register of members closed at such times and for such periods as our board of directors may from time to time determine. The registration of transfers, however, may not be suspended, and the register of members may not be closed, for more than 30 calendar days in any year.

### ***Inspection of Books and Records***

Holders of our Ordinary Shares will have no general right under the Cayman Companies Act to inspect or obtain copies of our register of members or our corporate records (other than the memorandum and the articles and any special resolutions passed by such companies, and the registers of mortgages and charges of such companies). Under Cayman Islands law, the names of our current directors can be obtained from a search conducted at the Registrar of Companies.

### ***General Meetings***

As a Cayman Islands exempted company, we are not obligated by the Cayman Companies Act to call annual general meetings; accordingly, we may, but shall not be obliged to, in each year hold a general meeting as an annual general meeting. Any annual general meeting held shall be held at such time and place as may be determined by our board of directors. All general meetings other than annual general meetings shall be called extraordinary general meetings.

The directors may convene general meetings whenever they think fit. General meetings shall also be convened on the written requisition of one or more of the shareholders entitled to attend and vote at our general meetings who (together) hold not less than one-third (1/3) of the rights to vote at such general meeting in accordance with the notice provisions in the articles, specifying the purpose of the meeting and signed by each of the shareholders making the requisition. If the directors do not convene such meeting for a date not later than 21 clear days' after the date of receipt of the written requisition, those shareholders who requested the meeting may convene the general meeting themselves within three months after the end of such period of 21 clear days in which case reasonable expenses incurred by them as a result of the directors failing to convene a meeting shall be reimbursed by us.

At least 7 calendar days' notice of general meetings shall be given to shareholders entitled to attend and vote at such meeting. The notice shall specify the place, the day and the hour of the meeting and the general nature of that business. In addition, if a resolution is proposed as a special resolution, the text of that resolution shall be given to all shareholders. Notice of every general meeting shall also be given to the directors and our auditors.

Subject to the Cayman Companies Act and with the consent of the shareholders who, individually or collectively, hold at least two-thirds (2/3rd) of the voting rights of all those who have a right to vote in the case of an extraordinary general meeting, and by all the shareholders in the case of an annual general meeting, a general meeting may be convened on shorter notice.

A quorum shall consist of the presence (whether in person or represented by proxy) of one or more shareholders holding shares that represent not less than one-third of the outstanding shares carrying the right to vote at such general meeting.

If, within 15 minutes from the time appointed for the general meeting, or at any time during the meeting, a quorum is not present, the meeting, if convened upon the requisition of shareholders, shall be cancelled. In any other case it shall stand adjourned to the same time and place seven days or to such other time or place as is determined by the directors.

The chairman may, with the consent of a meeting at which a quorum is present, adjourn the meeting. When a meeting is adjourned for seven days or more, notice of the adjourned meeting shall be given in accordance with the articles.

At any general meeting a resolution put to the vote of the meeting shall be decided on a show of hands, unless a poll is (before, or on, the declaration of the result of the show of hands) demanded by the chairman of the meeting or by at least two shareholders having the right to vote on the resolutions or one or more shareholders present who together hold not less than ten percent of the voting rights of all those who are entitled to vote on the resolution. Unless a poll is so demanded, a declaration by the chairman as to the result of a resolution and an entry to that effect in the minutes of the meeting, shall be conclusive evidence of the outcome of a show of hands, without proof of the number or proportion of the votes recorded in favor of, or against, that resolution.

If a poll is duly demanded it shall be taken in such manner as the chairman directs and the result of the poll shall be deemed to be the resolution of the meeting at which the poll was demanded.

In the case of an equality of votes, whether on a show of hands or on a poll, the chairman of the meeting at which the show of hands takes place or at which the poll is demanded, shall not be entitled to a second or casting vote.

#### ***Anti-Takeover Provisions***

Some provisions of our 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 preference shares in one or more series and to designate the price, rights, preferences, privileges and restrictions of such preference shares without any further vote or action by our shareholders.

However, under Cayman Islands law, our directors may only exercise the rights and powers granted to them under our memorandum and articles of association for a proper purpose and for what they believe in good faith to be in the best interests of our company.

#### ***Exempted Company***

We are an exempted company with limited liability incorporated 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 of the Cayman Islands may apply to be registered as an exempted company. The requirements for an exempted company are essentially the same as for an ordinary company except 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 issue negotiable or bearer shares or shares with no par value;
- may obtain an undertaking against the imposition of any future taxation (such undertakings are usually given for 20 years in the first instance);
- 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 the shares of the company (except in exceptional circumstances, such as involving fraud, the establishment of an agency relationship or an illegal or improper purpose or other circumstances in which a court may be prepared to pierce or lift the corporate veil).

#### **C. Material Contracts**

We have not entered into any material contracts other than in the ordinary course of business and other than those described in “Item 4. Information on the Company,” “Item 7. Major Shareholders and Related Party Transactions—B. Related Party Transactions” or elsewhere in this annual report.

#### **D. Exchange Controls**

See “Item 4. Information on the Company—B. Business Overview—Regulation—PRC Laws and Regulations relating to Foreign Exchange.”

## **E. Taxation**

The following summary of the Cayman Islands, PRC and U.S. federal income tax considerations of an investment in the Ordinary Shares is based upon laws and relevant interpretations thereof in effect as of the date of this annual report, all of which are subject to change. This summary does not deal with all possible tax considerations relating to an investment in the Ordinary Shares, such as the tax considerations under U.S. state and local tax laws or under the tax laws of jurisdictions other than the Cayman Islands, the People's Republic of China and the United States.

### **Cayman Islands Taxation**

The Cayman Islands currently levies no taxes on individuals or corporations based upon profits, income, gains or appreciation and there is no taxation in the nature of inheritance tax or estate duty. There are no other taxes likely to be material to us levied by the government of the Cayman Islands except for stamp duties which may be applicable on instruments executed in, or, after execution, brought within the jurisdiction of the Cayman Islands. The Cayman Islands is not party to any double tax treaties that are applicable to any payments made to or by our company. There are no exchange control regulations or currency restrictions in the Cayman Islands.

Payments of dividends and capital in respect of our 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 our Ordinary Shares, as the case may be, nor will gains derived from the disposal of our Ordinary Shares be subject to Cayman Islands income or corporate tax.

### **People's Republic of China Taxation**

The following brief description of Chinese enterprise laws is designed to highlight the enterprise-level taxation on our earnings, which will affect the amount of dividends, if any, we are ultimately able to pay to our shareholders. See "Item 8. Financial Information—A. Consolidated Statements and Other Financial Information—Dividend Policy."

#### ***Enterprise Income Tax***

According to the EIT Law, which was promulgated by the Standing Committee of the National People's Congress on March 16, 2007, and became effective on January 1, 2008, and last amended on December 29, 2018, and the Implementation Rules of the EIT Law, or the Implementation Rules, which were promulgated by the State Council on December 6, 2007, and last amended on April 23, 2019, enterprises are divided into resident enterprises and non-resident enterprises. Resident enterprises pay enterprise income tax on their incomes obtained in and outside the PRC at the rate of 25%. Non-resident enterprises setting up institutions in the PRC pay enterprise income tax on the incomes obtained by such institutions in and outside the PRC at the rate of 25%. Non-resident enterprises with no institutions in the PRC, and non-resident enterprises with income having no substantial connection with their institutions in the PRC, pay enterprise income tax on their income obtained in the PRC at a reduced rate of 10%.

We are an exempted company with limited liability incorporated in the Cayman Islands and we gain substantial income by way of dividends paid to us from our PRC subsidiaries. The EIT Law and its implementation rules provide that China-sourced income of foreign enterprises, such as dividends paid by a PRC subsidiary to its equity holders that are non-resident enterprises, will normally be subject to PRC withholding tax at a rate of 10%, unless any such foreign investor's jurisdiction of incorporation has a tax treaty with China that provides for a preferential tax rate or a tax exemption.

Under the EIT Law, an enterprise established outside of China with a “de facto management body” within China is considered a “resident enterprise,” which means that it is treated in a manner similar to a Chinese enterprise for enterprise income tax purposes. Although the implementation rules of the EIT Law define “de facto management body” as a managing body that actually, comprehensively manage and control the production and operation, staff, accounting, property and other aspects of an enterprise, the only official guidance for this definition currently available is set forth in SAT Notice 82, which provides guidance on the determination of the tax residence status of a Chinese-controlled offshore incorporated enterprise, defined as an enterprise that is incorporated under the laws of a foreign country or territory and that has a PRC enterprise or enterprise group as its primary controlling shareholder. Although Baosheng Group does not have a PRC enterprise or enterprise group as our primary controlling shareholder and is therefore not a Chinese-controlled offshore incorporated enterprise within the meaning of SAT Notice 82, in the absence of guidance specifically applicable to us, we have applied the guidance set forth in SAT Notice 82 to evaluate the tax residence status of Baosheng Group and its subsidiaries organized outside the PRC.

According to SAT Notice 82, a Chinese-controlled offshore incorporated enterprise will be regarded as a PRC tax resident by virtue of having a “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 criteria are met: (i) the places where senior management and senior management departments that are responsible for daily production, operation and management of the enterprise perform their duties are mainly located within the territory of China; (ii) financial decisions (such as money borrowing, lending, financing and financial risk management) and personnel decisions (such as appointment, dismissal and salary and wages) are decided or need to be decided by organizations or persons located within the territory of China; (iii) main property, accounting books, corporate seal, the board of directors and files of the minutes of shareholders’ meetings of the enterprise are located or preserved within the territory of China; and (iv) one half (or more) of the directors or senior management staff having the right to vote habitually reside within the territory of China.

We believe that we do not meet some of the conditions outlined in the immediately preceding paragraph. For example, as a holding company, the key assets and records of Baosheng Group, including the resolutions and meeting minutes of our board of directors and the resolutions and meeting minutes of our shareholders, are located and maintained outside the PRC. In addition, we are not aware of any offshore holding companies with a corporate structure similar to ours that has been deemed a PRC “resident enterprise” by the PRC tax authorities. Accordingly, we believe that Baosheng Group and its offshore subsidiaries should not be treated as a “resident enterprise” for PRC tax purposes if the criteria for “de facto management body” as set forth in SAT Notice 82 were deemed applicable to us. However, as the tax residency 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” as applicable to our offshore entities, we will continue to monitor our tax status.

The implementation rules of the EIT law provides that, (i) if the enterprise that distributes dividends is domiciled in the PRC or (ii) if gains are realized from transferring equity interests of enterprises domiciled in the PRC, then such dividends or gains are treated as China-sourced income. It is not clear how “domicile” may be interpreted under the EIT Law, and it may be interpreted as the jurisdiction where the enterprise is a tax resident. Therefore, if we are considered as a PRC tax resident enterprise for PRC tax purposes, any dividends we pay to our overseas shareholders which are non-resident enterprises as well as gains realized by such shareholders from the transfer of our shares may be regarded as China-sourced income and as a result become subject to PRC withholding tax at a rate of up to 10%. Beijing Dacheng, our PRC counsel, is unable to provide a “will” opinion because it believes that it is more likely than not that we and our offshore subsidiaries would be treated as non-resident enterprises for PRC tax purposes because we do not meet some of the conditions outlined in SAT Notice 82. In addition, Beijing Dacheng is not aware of any offshore holding companies with a corporate structure similar to ours that has been deemed a PRC “resident enterprise” by the PRC tax authorities as of the date of this annual report. Therefore, Beijing Dacheng believes that it is possible but highly unlikely that the income received by our overseas shareholders will be regarded as China-sourced income. See “Item 3. Key Information—3.D. Risk Factors—Risks Relating to Doing Business in China—Under the Enterprise Income Tax Law, we may be classified as a ‘Resident Enterprise’ of China. Such classification will likely result in unfavorable tax consequences to us and our non-PRC shareholders.”

Currently, as resident enterprises in the PRC, Beijing Baosheng and its subsidiaries in PRC are subject to the enterprise income tax at the rate of 25%, except that once an enterprise meets certain requirements and is identified as a small-scale minimal profit enterprise, the part of its taxable income not more than RMB1 million is subject to a reduced rate of 5% and the part between RMB1 million and 3 million is subject to a reduced rate of 10%. The EIT is calculated based on the entity's global income as determined under PRC tax laws and accounting standards. If the PRC tax authorities determine that Baosheng Group is a PRC resident enterprise for enterprise income tax purposes, we may be required to withhold a 10% withholding tax from dividends we pay to our shareholders that are non-resident enterprises. In addition, non-resident enterprise shareholders may be subject to a 10% PRC withholding tax on gains realized on the sale or other disposition of our Ordinary Shares, if such income is treated as sourced from within the PRC. It is unclear whether our non-PRC individual shareholders would be subject to any PRC tax on dividends or gains obtained by such non-PRC individual shareholders in the event we are determined to be a PRC resident enterprise. If any PRC tax were to apply to dividends or gains realized by non-PRC individuals, it would generally apply at a rate of 20% unless a reduced rate is available under an applicable tax treaty. However, it is also unclear whether our non-PRC shareholders would be able to claim 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. There is no guidance from the PRC government to indicate whether or not any tax treaties between the PRC and other countries would apply in circumstances where a non-PRC company was deemed to be a PRC tax resident, and thus there is no basis for expecting how tax treaty between the PRC and other countries may impact non-resident enterprises.

#### ***Value-added Tax***

Pursuant to the Provisional Regulations on Value-Added Tax of the PRC, or the VAT Regulations, which were promulgated by the State Council on December 13, 1993, and took effect on January 1, 1994, and were amended on November 5, 2008, February 6, 2016, and November 19, 2017, respectively, and the Rules for the Implementation of the Provisional Regulations on Value Added Tax of the PRC, which were promulgated by MOF, on December 25, 1993, and were amended on December 15, 2008, and October 28, 2011, respectively, entities and individuals that sell goods or labor services of processing, repair or replacement, sell services, intangible assets, or immovables, or import goods within the territory of the People's Republic of China are taxpayers of value-added tax. The VAT rate is 17% for taxpayers selling goods, labor services, or tangible movable property leasing services or importing goods, except otherwise specified; 11% for taxpayers selling transportation services, postal services, basic telecommunications, construction, real estate leasing services, sales of real estate, transfer of land use right; 6% for taxpayers selling services or intangible assets.

According to Provisions in the Notice on Adjusting the Value added Tax Rates (Cai Shui [2018] No. 32), or the Notice, issued by SAT and MOF, where taxpayers make VAT taxable sales or import goods, the applicable tax rates shall be adjusted from 17% to 16% and from 11% to 10%, respectively. The Notice took effect on May 1, 2018, and the adjusted VAT rates took effect at the same time.

The Notice of the Ministry of Finance and SAT on Implementing the Pilot Program of Replacing Business Tax with Value-Added Tax in an All-round Manner on March 23, 2016, which took effect on May 1, 2016. Pursuant to such circular, the Value Added Tax Pilot Program has been applicable nationwide since May 1, 2016.

According to the VAT Regulations and the related rules, as of the date of this annual report, as taxpayers selling services, Beijing Baosheng and its consolidated affiliated entities are generally subject to 6% VAT rate.

#### ***Dividend Withholding Tax***

The EIT Law provides that since January 1, 2008, an income tax rate of 10% will normally be applicable to dividends declared to non-PRC resident investors which do not have an establishment or place of business in the PRC, or which have such establishment or place of business but the relevant income is not effectively connected with the establishment or place of business, to the extent such dividends are derived from sources within the PRC.

Pursuant to an Arrangement Between the Mainland of China and the Hong Kong Special Administrative Region for the Avoidance of Double Taxation and the Prevention of Fiscal Evasion with Respect to Taxes on Incomes, or the Double Tax Avoidance Arrangement, and other applicable PRC laws, if a Hong Kong resident enterprise is determined by the competent PRC tax authority to have satisfied the relevant conditions and requirements under such Double Tax Avoidance Arrangement and other applicable laws, the 10% withholding tax on the dividends the Hong Kong resident enterprise receives from a PRC resident enterprise may be reduced to 5%. However, based on the Circular on Certain Issues with Respect to the Enforcement of Dividend Provisions in Tax Treaties, or the SAT Circular 81, issued on February 20, 2009, by SAT, if the relevant PRC tax authorities determine, in their discretion, that a company benefits from such reduced income tax rate due to a structure or arrangement that is primarily tax-driven, such PRC tax authorities may adjust the preferential tax treatment. According to the Circular on Several Questions regarding the “Beneficial Owner” in Tax Treaties, which was issued on February 3, 2018, by SAT and took effect on April 1, 2018, when determining the applicant’s status of the “beneficial owner” regarding tax treatments in connection with dividends, interests or royalties in the tax treaties, several factors, including without limitation, whether the applicant is obligated to pay more than 50% of his or her income in 12 months to residents in third country or region, whether the business operated by the applicant constitutes the actual business activities, and whether the counterparty country or region to the tax treaties does not levy any tax or grant tax exemption on relevant incomes or levy tax at an extremely low rate, will be taken into account, and it will be analyzed according to the actual circumstances of the specific cases. This circular further provides that applicants who intend to prove his or her status of the “beneficial owner” shall submit the relevant documents to the relevant tax bureau according to the Announcement on Issuing the Measures for the Administration of Non-Resident Taxpayers’ Enjoyment of the Treatment under Tax Agreements.

As of the date of this annual report, when considered as a non-PRC resident investor, which is much more likely to happen than not, Baosheng Hong Kong shall be subject to the dividend withholding tax at the rate of 10%. See “Item 3. Key Information—D. Risk Factors” and “Item 10. Additional Information—E. Taxation.” Upon identified as the Hong Kong resident enterprise stipulated by the Double Tax Avoidance Arrangement and other applicable laws, the withholding tax may be reduced to 5%.

### **Hong Kong Taxation**

Entities incorporated in Hong Kong are subject to profits tax in Hong Kong at the rate of 16.5%.

### **United States Federal Income Tax Considerations**

The following does not address the tax consequences to any particular investor or to persons in special tax situations such as:

- banks;
- financial institutions;
- insurance companies;
- regulated investment companies;
- real estate investment trusts;
- broker-dealers;
- persons that elect to mark their securities to market;
- U.S. expatriates or former long-term residents of the U.S.;
- governments or agencies or instrumentalities thereof;
- tax-exempt entities;
- persons liable for alternative minimum tax;

- persons holding our Ordinary Shares as part of a straddle, hedging, conversion or integrated transaction;
- persons that actually or constructively own 10% or more of our voting power or value (including by reason of owning our Ordinary Shares);
- persons who acquired our Ordinary Shares pursuant to the exercise of any employee share option or otherwise as compensation;
- persons holding our Ordinary Shares through partnerships or other pass-through entities;
- beneficiaries of a Trust holding our Ordinary Shares; or
- persons holding our Ordinary Shares through a Trust.

The discussion set forth below is addressed only to U.S. Holders that purchase Ordinary Shares. Prospective purchasers are urged to consult their own tax advisors about the application of the U.S. federal income tax rules to their particular circumstances as well as the state, local, foreign, and other tax consequences to them of the purchase, ownership, and disposition of our Ordinary Shares.

#### ***Material Tax Consequences Applicable to U.S. Holders of Our Ordinary Shares***

The following sets forth the material U.S. federal income tax consequences related to the ownership and disposition of our Ordinary Shares. It is directed to U.S. Holders (as defined below) of our Ordinary Shares and is based upon laws and relevant interpretations thereof in effect as of the date of this annual report, all of which are subject to change. This description does not deal with all possible tax consequences relating to ownership and disposition of our Ordinary Shares or U.S. tax laws, other than the U.S. federal income tax laws, such as the tax consequences under non-U.S. tax laws, state, local and other tax laws.

The following brief description applies only to U.S. Holders (defined below) that hold Ordinary Shares as capital assets and that have the U.S. dollar as their functional currency. This brief description is based on the federal income tax laws of the United States in effect as of the date of this annual report and on U.S. Treasury regulations in effect or, in some cases, proposed, as of the date of this annual report, as well as judicial and administrative interpretations thereof available on or before such date. All of the foregoing authorities are subject to change, which change could apply retroactively and could affect the tax consequences described below.

The brief description below of the U.S. federal income tax consequences to “U.S. Holders” will apply to you if you are a beneficial owner of Ordinary Shares and you are, for U.S. federal income tax purposes,

- an individual who is a citizen or resident of the United States;
- a corporation (or other entity taxable as a corporation for U.S. federal income tax purposes) organized under the laws of the United States, any state thereof or the District of Columbia;
- an estate whose income is subject to U.S. federal income taxation regardless of its source; or
- a trust that (1) is subject to the primary supervision of a court within the United States and the control of one or more U.S. persons for all substantial decisions or (2) has a valid election in effect under applicable U.S. Treasury regulations to be treated as a U.S. person.

#### ***Taxation of Dividends and Other Distributions on our Ordinary Shares***

Subject to the passive foreign investment company (PFIC) rules (defined below) discussed below, the gross amount of distributions made by us to you with respect to the Ordinary Shares (including the amount of any taxes withheld therefrom) will generally be includable in your gross income as dividend income on the date of receipt by you, but only to the extent that the distribution is paid out of our current or accumulated earnings and profits (as determined under U.S. federal income tax principles). With respect to corporate U.S. Holders, the dividends will not be eligible for the dividends-received deduction allowed to corporations in respect of dividends received from other U.S. corporations.

With respect to non-corporate U.S. Holders, including individual U.S. Holders, dividends will be taxed at the lower capital gains rate applicable to qualified dividend income, provided that (1) the Ordinary Shares are readily tradable on an established securities market in the United States, or we are eligible for the benefits of an approved qualifying income tax treaty with the United States that includes an exchange of information program, (2) we are not a PFIC (defined below) for either our taxable year in which the dividend is paid or the preceding taxable year, and (3) certain holding period requirements are met. Because there is no income tax treaty between the United States and the Cayman Islands, clause (1) above can be satisfied only if the Ordinary Shares are readily tradable on an established securities market in the United States. Under U.S. Internal Revenue Service authority, Ordinary Shares are considered for purpose of clause (1) above to be readily tradable on an established securities market in the United States if they are listed on certain exchanges, which presently includes the New York Stock Exchange and the Nasdaq Stock Market. You are urged to consult your tax advisors regarding the availability of the lower rate for dividends paid with respect to our Ordinary Shares, including the effects of any change in law after the date of this annual report.

Dividends will constitute foreign source income for foreign tax credit limitation purposes. If the dividends are taxed as qualified dividend income (as discussed above), the amount of the dividend taken into account for purposes of calculating the foreign tax credit limitation will be limited to the gross amount of the dividend, multiplied by the reduced rate divided by the highest rate of tax normally applicable to dividends. The limitation on foreign taxes eligible for credit is calculated separately with respect to specific classes of income. For this purpose, dividends distributed by us with respect to our Ordinary Shares will constitute “passive category income” but could, in the case of certain U.S. Holders, constitute “general category income.”

To the extent that the amount of the distribution exceeds our current and accumulated earnings and profits (as determined under U.S. federal income tax principles), it will be treated first as a tax-free return of your tax basis in your Ordinary Shares, and to the extent the amount of the distribution exceeds your tax basis, the excess will be taxed as capital gain. We do not intend to calculate our earnings and profits under U.S. federal income tax principles. Therefore, a U.S. Holder should expect that a distribution will be treated as a dividend even if that distribution would otherwise be treated as a non-taxable return of capital or as capital gain under the rules described above.

#### ***Taxation of Dispositions of Ordinary Shares***

Subject to the passive foreign investment company rules discussed below, you will recognize taxable gain or loss on any sale, exchange or other taxable disposition of a share equal to the difference between the amount realized (in U.S. dollars) for the share and your tax basis (in U.S. dollars) in the Ordinary Shares. The gain or loss will be capital gain or loss. If you are a non-corporate U.S. Holder, including an individual U.S. Holder, who has held the Ordinary Shares for more than one year, you will generally be eligible for reduced tax rates. The deductibility of capital losses is subject to limitations. Any such gain or loss that you recognize will generally be treated as United States source income or loss for foreign tax credit limitation purposes which will generally limit the availability of foreign tax credits.

#### ***Passive Foreign Investment Company Considerations***

A non-U.S. corporation, such as our company, will be classified as a PFIC for U.S. federal income tax purposes for any taxable year if, applying applicable look-through rules, either (i) 75% or more of its gross income for such year consists of certain types of “passive” income or (ii) 50% or more of the value of its assets (generally determined on the basis of a quarterly average) during such year is attributable to assets that produce or are held for the production of passive income (the “asset test”). For this purpose, cash and assets readily convertible into cash are categorized as passive assets and the company’s goodwill and other unbooked intangibles not reflected on its balance sheet are taken into account. Passive income generally includes, among other things, dividends, interest, income equivalent to interest, rents, royalties (other than rents or royalties derived from the active conduct of a trade or business), and gains from the disposition of passive assets. We will be treated as owning our proportionate share of the assets and earning a proportionate share of the income of any other corporation in which we own, directly or indirectly, 25% or more (by value) of the stock. In determining the value and composition of our assets for purposes of the PFIC asset test, the value of our assets must be determined based on the market value of our Ordinary Shares from time to time, which could cause the value of our non-passive assets to be less than 50% of the value of all of our assets on any particular quarterly testing date for purposes of the asset test.

Based on our operations and the composition of our assets we do not expect to be treated as a PFIC under the current PFIC rules. We must make a separate determination each year as to whether we are a PFIC, however, and there can be no assurance with respect to our status as a PFIC for our current taxable year or any future taxable year. Depending on the amount of assets held for the production of passive income, it is possible that, for our current taxable year or for any subsequent taxable year, more than 50% of our assets may be assets held for the production of passive income. We will make this determination following the end of any particular tax year. In addition, because the value of our assets for purposes of the asset test will generally be determined based on the market price of our Ordinary Shares, our PFIC status will depend in large part on the market price of our Ordinary Shares. Accordingly, fluctuations in the market price of the Ordinary Shares may cause us to become a PFIC. In addition, the application of the PFIC rules is subject to uncertainty in several respects and the composition of our income and assets will be affected by how, and how quickly, we spend our liquid assets. We are under no obligation to take steps to reduce the risk of our being classified as a PFIC, and as stated above, the determination of the value of our assets will depend upon material facts (including the market price of our Ordinary Shares from time to time) that may not be within our control. If we are a PFIC for any year during which you hold Ordinary Shares, we will continue to be treated as a PFIC for all succeeding years during which you hold Ordinary Shares. If we cease to be a PFIC and you did not previously make a timely “mark-to-market” election as described below, however, you may avoid some of the adverse effects of the PFIC regime by making a “purging election” (as described below) with respect to the Ordinary Shares.

If we are a PFIC for your taxable year(s) during which you hold Ordinary Shares, you will be subject to special tax rules with respect to any “excess distribution” that you receive and any gain you realize from a sale or other disposition (including a pledge) of the Ordinary Shares, unless you make a “mark-to-market” election as discussed below. Distributions you receive in a taxable year that are greater than 125% of the average annual distributions you received during the shorter of the three preceding taxable years or your holding period for the Ordinary Shares will be treated as an excess distribution. Under these special tax rules:

- the excess distribution or gain will be allocated ratably over your holding period for the Ordinary Shares;
- the amount allocated to your current taxable year, and any amount allocated to any of your taxable year(s) prior to the first taxable year in which we were a PFIC, will be treated as ordinary income, and
- the amount allocated to each of your other taxable year(s) will be subject to the highest tax rate in effect for that year and the interest charge generally applicable to underpayments of tax will be imposed on the resulting tax attributable to each such year.

The tax liability for amounts allocated to years prior to the year of disposition or “excess distribution” cannot be offset by any net operating losses for such years, and gains (but not losses) realized on the sale of the Ordinary Shares cannot be treated as capital, even if you hold the Ordinary Shares as capital assets.

A U.S. Holder of “marketable stock” (as defined below) in a PFIC may make a mark-to-market election under Section 1296 of the US Internal Revenue Code for such stock to elect out of the tax treatment discussed above. If you make a mark-to-market election for first taxable year which you hold (or are deemed to hold) Ordinary Shares and for which we are determined to be a PFIC, you will include in your income each year an amount equal to the excess, if any, of the fair market value of the Ordinary Shares as of the close of such taxable year over your adjusted basis in such Ordinary Shares, which excess will be treated as ordinary income and not capital gain. You are allowed an ordinary loss for the excess, if any, of the adjusted basis of the Ordinary Shares over their fair market value as of the close of the taxable year. Such ordinary loss, however, is allowable only to the extent of any net mark-to-market gains on the Ordinary Shares included in your income for prior taxable years. Amounts included in your income under a mark-to-market election, as well as gain on the actual sale or other disposition of the Ordinary Shares, are treated as ordinary income. Ordinary loss treatment also applies to any loss realized on the actual sale or disposition of the Ordinary Shares, to the extent that the amount of such loss does not exceed the net mark-to-market gains previously included for such Ordinary Shares. Your basis in the Ordinary Shares will be adjusted to reflect any such income or loss amounts. If you make a valid mark-to-market election, the tax rules that apply to distributions by corporations which are not PFICs would apply to distributions by us, except that the lower applicable capital gains rate for qualified dividend income discussed above under “—Taxation of Dividends and Other Distributions on our Ordinary Shares” generally would not apply.

The mark-to-market election is available only for “marketable stock,” which is stock that is traded in other than de minimis quantities on at least 15 days during each calendar quarter (“regularly traded”) on a qualified exchange or other market (as defined in applicable U.S. Treasury regulations), including the Nasdaq Capital Market. If the Ordinary Shares are regularly traded on the Nasdaq Capital Market and if you are a holder of Ordinary Shares, the mark-to-market election would be available to you were we to be or become a PFIC.

Alternatively, a U.S. Holder of stock in a PFIC may make a “qualified electing fund” election under Section 1295(b) of the US Internal Revenue Code with respect to such PFIC to elect out of the tax treatment discussed above. A U.S. Holder who makes a valid qualified electing fund election with respect to a PFIC will generally include in gross income for a taxable year such holder’s pro rata share of the corporation’s earnings and profits for the taxable year. The qualified electing fund election, however, is available only if such PFIC provides such U.S. Holder with certain information regarding its earnings and profits as required under applicable U.S. Treasury regulations. We do not currently intend to prepare or provide the information that would enable you to make a qualified electing fund election. If you hold Ordinary Shares in any taxable year in which we are a PFIC, you will be required to file U.S. Internal Revenue Service Form 8621 in each such year and provide certain annual information regarding such Ordinary Shares, including regarding distributions received on the Ordinary Shares and any gain realized on the disposition of the Ordinary Shares.

If you do not make a timely “mark-to-market” election (as described above), and if we were a PFIC at any time during the period you hold our Ordinary Shares, then such Ordinary Shares will continue to be treated as stock of a PFIC with respect to you even if we cease to be a PFIC in a future year, unless you make a “purging election” for the year we cease to be a PFIC. A “purging election” creates a deemed sale of such Ordinary Shares at their fair market value on the last day of the last year in which we are treated as a PFIC. The gain recognized by the purging election will be subject to the special tax and interest charge rules treating the gain as an excess distribution, as described above. As a result of the purging election, you will have a new basis (equal to the fair market value of the Ordinary Shares on the last day of the last year in which we are treated as a PFIC) and holding period (which new holding period will begin the day after such last day) in your Ordinary Shares for tax purposes.

IRC Section 1014(a) provides for a step-up in basis to the fair market value for our Ordinary Shares when inherited from a decedent that was previously a holder of our Ordinary Shares. However, if we are determined to be a PFIC and a decedent that was a U.S. Holder did not make either a timely qualified electing fund election for our first taxable year as a PFIC in which the U.S. Holder held (or was deemed to hold) our Ordinary Shares, or a mark-to-market election and ownership of those Ordinary Shares are inherited, a special provision in IRC Section 1291(e) provides that the new U.S. Holder’s basis should be reduced by an amount equal to the Section 1014 basis minus the decedent’s adjusted basis just before death. As such if we are determined to be a PFIC at any time prior to a decedent’s passing, the PFIC rules will cause any new U.S. Holder that inherits our Ordinary Shares from a U.S. Holder to not get a step-up in basis under Section 1014 and instead will receive a carryover basis in those Ordinary Shares.

You are urged to consult your tax advisors regarding the application of the PFIC rules to your investment in our Ordinary Shares and the elections discussed above.

#### ***Information Reporting and Backup Withholding***

Dividend payments with respect to our Ordinary Shares and proceeds from the sale, exchange or redemption of our Ordinary Shares may be subject to information reporting to the U.S. Internal Revenue Service and possible U.S. backup withholding under Section 3406 of the US Internal Revenue Code with at a current flat rate of 24%. Backup withholding will not apply, however, to a U.S. Holder who furnishes a correct taxpayer identification number and makes any other required certification on U.S. Internal Revenue Service Form W-9 or who is otherwise exempt from backup withholding. U.S. Holders who are required to establish their exempt status generally must provide such certification on U.S. Internal Revenue Service Form W-9. U.S. Holders are urged to consult their tax advisors regarding the application of the U.S. information reporting and backup withholding rules.

Backup withholding is not an additional tax. Amounts withheld as backup withholding may be credited against your U.S. federal income tax liability, and you may obtain a refund of any excess amounts withheld under the backup withholding rules by filing the appropriate claim for refund with the U.S. Internal Revenue Service and furnishing any required information. We do not intend to withhold taxes for individual shareholders. However, transactions effected through certain brokers or other intermediaries may be subject to withholding taxes (including backup withholding), and such brokers or intermediaries may be required by law to withhold such taxes.

Under the Hiring Incentives to Restore Employment Act of 2010, certain U.S. Holders are required to report information relating to our Ordinary Shares, subject to certain exceptions (including an exception for Ordinary Shares held in accounts maintained by certain financial institutions), by attaching a complete Internal Revenue Service Form 8938, Statement of Specified Foreign Financial Assets, with their tax return for each year in which they hold Ordinary Shares.

**F. Dividends and Paying Agents**

Not applicable.

**G. Statement by Experts**

Not applicable.

**H. Documents on Display**

We previously filed with the SEC registration statement on Form F-1 (File Number 333-239800), as amended, to register our Ordinary Shares in relation to our initial public offering.

We are subject to periodic reporting and other informational requirements of the Exchange Act as applicable to foreign private issuers. Accordingly, we are required to file reports, including annual reports on Form 20-F, and other information with the SEC. All information filed with the SEC can be obtained over the internet at the SEC's website at [www.sec.gov](http://www.sec.gov) or inspected and copied at the public reference facilities maintained by the SEC at 100 F Street, N.E., Washington, D.C. 20549. The public may obtain information regarding the Washington, D.C. Public Reference Room by calling the SEC at 1-800-SEC-0330. The SEC also maintains a web site at [www.sec.gov](http://www.sec.gov) that contains reports, proxy and information statements, and other information regarding registrants that make electronic filings with the SEC using its EDGAR system. As a foreign private issuer, we are exempt from the rules under the Exchange Act prescribing the furnishing and content of quarterly reports and proxy statements, and officers, directors and principal shareholders are exempt from the reporting and short-swing profit recovery provisions contained in Section 16 of the Exchange Act. 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.

In accordance with Nasdaq Stock Market Rule 5250(d), we will post this annual report on Form 20-F on our website at <http://ir.bsacme.com/>.

**I. Subsidiary Information**

Not applicable.

**ITEM 11. QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK**

***Interest Rate Risk***

We are exposed to interest rate risk while we have short-term bank loans outstanding. The loan terms are typically 12 months and interest rates for our short-term loans are typically fixed for the terms of the loans.

***Liquidity Risk***

We are also exposed to liquidity risk which is risk that it we will be unable to provide sufficient capital resources and liquidity to meet our commitments and business needs. Liquidity risk is controlled by the application of financial position analysis and monitoring procedures. When necessary, we will turn to other financial institutions and related parties to obtain short-term funding to cover any liquidity shortage.

***Foreign Exchange Risk***

While our reporting currency is the U.S. dollar, almost all of our consolidated revenues and consolidated costs and expenses are denominated in RMB. All of our assets are denominated in RMB. As a result, we are exposed to foreign exchange risk as our revenues and results of operations may be affected by fluctuations in the exchange rate between the U.S. dollar and RMB. If the RMB depreciates against the U.S. dollar, the value of our RMB revenues, earnings and assets as expressed in our U.S. dollar financial statements will decline. We have not entered into any hedging transactions in an effort to reduce our exposure to foreign exchange risk.

***Inflation Risk***

To date, inflation in China has not materially affected our results of operations. Although we have not been materially affected by inflation in the past, we can provide no assurance that we will not be affected by higher rates of inflation in China in the future. Although we have not been materially affected by inflation in the past, we may be affected if China experiences higher rates of inflation in the future.

***Seasonality***

We have experienced, and expect to continue to experience, seasonal fluctuations in our results of operations, due to seasonal changes in our advertisers' budgets and spending on advertising campaigns. For example, our revenues tend to increase as advertising spend rises in holiday seasons with consumer holiday spending, or closer to end-of-year in fulfillment of their annual advertising budgets.

**ITEM 12. DESCRIPTION OF SECURITIES OTHER THAN EQUITY SECURITIES**

**A. Debt Securities**

Not applicable.

**B. Warrants and Rights**

Not applicable.

**C. Other Securities**

Not applicable.

**D. American Depositary Shares**

Not applicable.

## PART II

### ITEM 13. DEFAULTS, DIVIDEND ARREARAGES AND DELINQUENCIES

None.

### ITEM 14. MATERIAL MODIFICATIONS TO THE RIGHTS OF SECURITY HOLDERS AND USE OF PROCEEDS

#### Material Modifications to the Rights of Security Holders

See “Item 10. Additional Information” for a description of the rights of securities holders, which remain unchanged.

#### Use of Proceeds

The following “Use of Proceeds” information relates to the registration statement on Form F-1, as amended (File Number: 333-239800) in relation to the initial public offering of 6,000,000 Ordinary Shares at an initial public offering price of \$5.00 per Ordinary Share. Our initial public offering closed on February 10, 2021. Univest Securities, LLC was the representative of the underwriters for our initial public offering. On March 3, 2021, Univest Securities, LLC exercised the over-allotment option in full to purchase an additional 900,000 Ordinary Shares.

We received net proceeds of approximately \$30.2 million, after deducting underwriting discounts and estimated offering expenses payable by us. The registration statement was declared effective by the SEC on February 5, 2021. The total expense incurred for our Company’s account in connection with our initial public offering was approximately \$4.3 million, which included approximately \$2.4 million in underwriting discounts for the initial public offering and approximately \$1.9 million in other costs and expenses for our initial public 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 we received from the initial public 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. As of the date of this annual report, we used about \$27.9 million of the net proceeds we received from our initial public offering as working capital and for general corporate purposes. We still intend to use the proceeds from our initial public offering as disclosed in our registration statement on Form F-1 (File No.: 333-239800).

On March 18, 2021, we issued a total of 1,960,784 units (the “Units”) to Orient Plus International Limited and Union High-Tech Development Limited through a private placement, with each Unit consisting of one Ordinary Share and one Warrant to purchase one half of one Ordinary Share at an exercise price of \$5.61 per Ordinary Share. We received net proceeds of \$9.9 million in this private placement. We may receive up to an aggregate of approximately \$5.5 million from exercise of the Warrants for cash. As of the date of this annual report, no warrants have been exercised, and we have spent all of the proceeds from this private placement for working capital and for general corporate purposes. We intend to use the proceeds from the exercise of the Warrants for working capital and for general corporate purposes.

### ITEM 15. CONTROLS AND PROCEDURES

#### Evaluation of Disclosure Controls and Procedures

Our management, with the participation of our chief executive officer and chief financial officer, has performed an evaluation of the effectiveness of our disclosure controls and procedures (as defined in Rule 13a-15(e) under the Exchange Act) as of the end of the period covered by this report, as required by Rule 13a-15(b) under the Exchange Act.

Based upon that evaluation, our management has concluded that, due to the material weaknesses identified below, as of December 31, 2021, our disclosure controls and procedures were not effective in ensuring that the information required to be disclosed by us in the reports that we file or submit under the Exchange Act was recorded, processed, summarized and reported, within the time periods specified in the SEC’s rules and forms, and that the information required to be disclosed by us in the reports that we file or submit under the Exchange Act is accumulated and communicated to our management, including our chief executive officer and chief financial officer, to allow timely decisions regarding required disclosure.

## **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 Rules 13a-15(f) and 15d-15(f) under the Exchange Act. Our internal control over financial reporting is a process designed to provide reasonable assurance regarding the reliability of our financial reporting and the preparation of financial statements for external purposes in accordance with U.S. GAAP and includes those policies and procedures that (1) pertain to the maintenance of records that, in reasonable detail, accurately and fairly reflect the transactions and dispositions of the assets of our company; (2) provide reasonable assurance that transactions are recorded as necessary to permit preparation of consolidated financial statements in accordance with GAAP, and that receipts and expenditures of our company are being made only in accordance with authorizations of our management and directors; and (3) provide reasonable assurance regarding prevention or timely detection of the unauthorized acquisition, use or disposition of our company’s assets that could have a material effect on the consolidated financial statements.

Because of its inherent limitations, internal control over financial reporting may not prevent or detect misstatements. Also, projections of any evaluation of effectiveness of our internal control over financial reporting to future periods are subject to the risks that controls may become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate.

As required by Rule 13a-15(c) of the Exchange Act, our management conducted an evaluation of our company’s internal control over financial reporting as of December 31, 2021 based on 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 concluded that our internal control over financial reporting was not effective as of December 31, 2021.

In accordance with reporting requirements set forth by the SEC, 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 consolidated financial statements will not be prevented or detected on a timely basis.

The material weakness identified relate to (i) our lack of sufficient financial reporting and accounting personnel with appropriate knowledge of U.S. GAAP and SEC reporting requirements to properly address complex U.S. GAAP accounting issues and to prepare and review our consolidated financial statements and related disclosures to fulfill U.S. GAAP and SEC financial reporting requirements, and (ii) our lack of comprehensive accounting policies and procedures manual in accordance with U.S. GAAP. Due to the foregoing material weakness, management concluded that as of December 31, 2020, our internal control over financial reporting was ineffective.

To remedy our identified material weakness identified to date, we plan to undertake steps to strengthen our internal control over financial reporting, including (i) recruiting more financial reporting and accounting personnel who have adequate U.S. GAAP knowledge; and (ii) implementing regular and continuous U.S. GAAP accounting and financial reporting training programs for our accounting and financial personnel.

However, we cannot assure you that we will remediate our material weakness in a timely manner, or at all. See “Item 3. Key Information—D. Risk Factors—Risks Related to Our Business—We have identified material weaknesses in our internal control over financial reporting. If we fail to develop and maintain an effective system of internal control over financial reporting, we may be unable to accurately report our financial results or prevent fraud.”

## **Attestation Report of the Registered Public Accounting Firm**

As a company with less than \$1.07 billion in revenue for our last fiscal year, we qualify as an “emerging growth company” pursuant to the JOBS Act. An emerging growth company may take advantage of specified reduced reporting and other requirements that are otherwise applicable generally to public companies. These provisions include exemption from the auditor attestation requirement under Section 404 of the Sarbanes-Oxley Act of 2002, in the assessment of the emerging growth company’s internal control over financial reporting. This annual report on Form 20-F does not include an attestation report of our registered public accounting firm because we are an emerging growth company.

## Changes in Internal Control over Financial Reporting

Other than as described above, there were no changes in our internal controls over financial reporting that occurred during the period covered by this annual report on Form 20-F that have materially affected, or are reasonably likely to materially affect, our internal control over financial reporting.

### ITEM 16. [RESERVED]

#### ITEM 16.A. AUDIT COMMITTEE FINANCIAL EXPERT

Our board of directors has determined that Mr. Changhong Jiang, chairman of our audit committee and an independent director (under the standards set forth in Nasdaq Stock Market Rule 5605(a)(2) and Rule 10A-3 under the Exchange Act), is 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 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 Number: 333-239800), as amended, initially filed with the SEC on July 10, 2020.

#### ITEM 16.C. PRINCIPAL ACCOUNTANT FEES AND SERVICES

The following table sets forth the aggregate fees by categories specified below in connection with certain professional services rendered by Friedman LLP, our independent registered public accounting firm, for the periods indicated.

	For the Years Ended December 31,	
	2021	2020
Audit fees <sup>(1)</sup>	\$ 345,000	\$ 330,000
Audit-Related fees	—	—
Tax fees	—	—
All other fees <sup>(2)</sup>	—	—
Total	<u>\$ 345,000</u>	<u>\$ 330,000</u>

Note:

- (1) “Audit fees” refer to the aggregate fees billed for professional services rendered by the principal accountant for the audit of the registrant’s annual financial statements, review of the interim financial statements and for the audits of the financial statements in connection with the initial public offering, as well as the issuance of comfort letter in connection with the initial public offering and consent letter for shelf registration.
- (2) “Audit-related fees” means the aggregate fees billed for professional services rendered by our principal accounting firm for the assurance and related services, which mainly included the audit and review of financial statements and are not reported under “Audit fees” above.
- (3) “Tax fees” means the aggregate fees billed for professional services rendered by our principal accounting firm for tax compliance, tax advice and tax planning.
- (4) “Other fees” means the aggregate fees incurred in each of the fiscal years listed for the professional tax services rendered by our principal accounting firm other than services reported under “Audit fees,” “Audit-related fees” and “Tax fees.”

The policy of our audit committee is to pre-approve all audit and non-audit services provided by Friedman LLP, our independent registered public accounting firm including audit services, audit-related services, tax services, and other services as described above.

**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**

None.

**ITEM 16.F. CHANGE IN REGISTRANT’S CERTIFYING ACCOUNTANT**

Not applicable.

**ITEM 16.G. CORPORATE GOVERNANCE**

As a Cayman Islands company listed on the Nasdaq Capital Market, we are subject to the Nasdaq Capital Market corporate governance listing standards. However, Nasdaq Capital Market 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 Capital Market corporate governance listing standards.

Pursuant to the home country rule exemption set forth under Nasdaq Listing Rule 5615, we elected to be exempt from the requirement under Nasdaq Listing Rule 5635(d) to obtain shareholder approval for a business combination and to obtain shareholder approval for the issuance of 20% or more of our outstanding ordinary shares. As a result, our shareholders may be afforded less protection than they would have otherwise enjoy under Nasdaq’s corporate governance requirements applicable to U.S. domestic issuers. See “Item 3. Key Information—D. Risk Factors — As a foreign private issuer, we are permitted to adopt certain home country practices in relation to corporate governance matters that differ significantly from the Nasdaq Stock Market corporate governance listing standards. These practices may afford less protection to shareholders than they would enjoy if we complied fully with corporate governance listing standards.”

**ITEM 16.H. MINE SAFETY DISCLOSURE**

Not applicable.

**Item 16I. DISCLOSURE REGARDING FOREIGN JURISDICTIONS THAT PREVENT INSPECTIONS**

Not applicable.

### PART III

#### ITEM 17. FINANCIAL STATEMENTS

We have elected to provide financial statements pursuant to Item 18.

#### ITEM 18. FINANCIAL STATEMENTS

The consolidated financial statements of Baosheng Media Group Holdings Limited are included at the end of this annual report.

#### ITEM 19. EXHIBITS

<b>Exhibit Number</b>	<b>Description</b>
1.1	<a href="#">Amended and Restated Memorandum and Articles of Association (incorporated herein by reference to Exhibit 3.1 to our registration statement on Form F-1 (File No. 333-239800), as amended, initially filed with the SEC on July 10, 2020)</a>
2.1	<a href="#">Registrant's Specimen Certificate for Ordinary Shares (incorporated herein by reference to Exhibit 4.1 to our registration statement on Form F-1 (File No. 333-239800), as amended, initially filed with the SEC on July 10, 2020)</a>
2.2	<a href="#">Form of Warrant (incorporated herein by reference to Exhibit 4.2 to our registration statement on Form F-1 (File No. 254449), filed with the SEC on March 18, 2021)</a>
2.3	<a href="#">Description of Securities (incorporated by reference to Exhibit 2.3 to our annual report on Form 20-F (File No. 001-39977), filed with the SEC on April 30, 2021)</a>
4.1	<a href="#">Form of Employment Agreement by and between executive officers and the Registrant (incorporated herein by reference to Exhibit 10.1 to our registration statement on Form F-1 (File No. 333-239800), as amended, initially filed with the SEC on July 10, 2020)</a>
4.2	<a href="#">Form of Indemnification Agreement with the Registrant's directors and officers (incorporated herein by reference to Exhibit 10.2 to our registration statement on Form F-1 (File No. 333-239800), as amended, initially filed with the SEC on July 10, 2020)</a>
4.3*	<a href="#">English Translation of Advertising Services Agreement by and between Beijing Lingxing Technology Joint Stock Co., Ltd. and Beijing Baosheng Network Technology Co., Ltd., dated September 5, 2021, as amended</a>
4.4*	<a href="#">English Translation of Advertisement Agency Agreement by and among Today's Headlines (Xiamen) Technology Co., Ltd., Beijing Baosheng Technology Co., Ltd., and Beijing Baosheng Network Technology Co., Ltd., dated January 1, 2022</a>
4.5*	<a href="#">English Translation of Cooperation Agreement by and between Beijing Baosheng Technology Co., Ltd., and Guangzhou Juyao Information Technology Co. Ltd., dated January 1, 2022, as amended on January 24, 2022</a>
4.6*	<a href="#">English Translation of Channel Cooperation Agreement by and between Horgos Zhijiantiancheng Technology Co., Ltd. and Baosheng Technology (Horgos) Co., Ltd., dated January 1, 2022</a>
4.7*	<a href="#">English Translation of Advertising Services Agreement by and among Beijing Kaikeba Technology Co., Ltd., Beijing Midui Education Technology Co., Ltd., Hangzhou Kaikeba Technology Co., Ltd., and Beijing Baosheng Network Technology Co., Ltd., dated January 21, 2022</a>
4.8*	<a href="#">English Translation of Advertising Services Agreement by and between Beijing Kaikeba Technology Co., Ltd. and Beijing Baosheng Technology Co., Ltd., dated January 19, 2022, as amended on January 19, 2022, January 19, 2022 and February 17, 2022</a>

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8.1*	<a href="#">List of Subsidiaries of the Registrant</a>
11.1	<a href="#">Code of Business Conduct and Ethics of the Registrant (incorporated herein by reference to Exhibit 99.1 to our registration statement on Form F-1 (File No. 333-239800), as amended, initially filed with the SEC on July 10, 2020)</a>
12.1*	<a href="#">Certification by the Principal Executive Officer Pursuant to Section 302 of the Sarbanes-Oxley Act of 2002</a>
12.2*	<a href="#">Certification by the Principal Financial Officer Pursuant to Section 302 of the Sarbanes-Oxley Act of 2002</a>
13.1**	<a href="#">Certification by the Principal Executive Officer Pursuant to Section 906 of the Sarbanes-Oxley Act of 2002</a>
13.2**	<a href="#">Certification by the Principal Financial Officer Pursuant to Section 906 of the Sarbanes-Oxley Act of 2002</a>
15.1*	<a href="#">Consent of Beijing Dacheng Law Offices, LLP</a>
101.INS*	XBRL Instance Document
101.SCH*	XBRL Taxonomy Extension Schema Document
101.CAL*	XBRL Taxonomy Extension Calculation Linkbase Document
101.DEF*	XBRL Taxonomy Extension Definition Linkbase Document
101.LAB*	XBRL Taxonomy Extension Label Linkbase Document
101.PRE*	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 on Form 20-F and that it has duly caused and authorized the undersigned to sign this annual report on its behalf.

**Baosheng Media Group Holdings Limited**

By: /s/ Wenxiu Zhong

Name: Wenxiu Zhong

Title: Chief Executive Officer and Chairperson of the Board of  
Directors  
(Principal Executive Officer)

Date: May 16, 2022

**BAOSHENG MEDIA GROUP HOLDINGS LIMITED**

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**REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM**

To the Shareholders and the Board of Directors of  
Baosheng Media Group Holdings Limited

**Opinion on the Financial Statements**

We have audited the accompanying consolidated balance sheets of Baosheng Media Group Holdings Limited and its subsidiaries (collectively, the “Company”) as of December 31, 2021 and 2020, and the related consolidated statements of operations and comprehensive income (loss), shareholders’ equity, and cash flows for each of the years in the three-year period ended December 31, 2021, 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 Company as of December 31, 2021 and 2020, and the results of its operations and its cash flows for each of the years in the three-year period ended December 31, 2021, in conformity with accounting principles generally accepted in the United States of America.

**Going Concern Matter**

The accompanying consolidated financial statements have been prepared assuming that the Company will continue as a going concern. As discussed in Note 3 to the consolidated financial statements, the Company has suffered a net loss of \$6,747,453 for the year ended December 31, 2021 and has a negative cash flow of \$31,213,199 and \$3,393,204 from operating activities for the years ended December 31, 2021 and 2020, respectively. These factors raise a substantial doubt about its ability to continue as a going concern. Management’s plans in regard to these matters are also described in Note 3. The consolidated financial statements do not include any adjustments that might result from the outcome of this uncertainty.

**Basis for Opinion**

These consolidated financial statements are the responsibility of the Company’s management. Our responsibility is to express an opinion on the Company’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 Company in accordance with the U.S. federal securities laws and the applicable rules and regulations of the Securities and Exchange Commission and the PCAOB.

We conducted our audits in accordance with the standards of the PCAOB. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free of material misstatement, whether due to error or fraud. The Company is not required to have, nor were we engaged to perform, an audit of its internal control over financial reporting. As part of our audits we are required to obtain an understanding of internal control over financial reporting, but not for the purpose of expressing an opinion on the effectiveness of the Company’s internal control over financial reporting. Accordingly, we express no such opinion.

Our audits included performing procedures to assess the risks of material misstatement of the financial statements, whether due to error or fraud, and performing procedures that respond to those risks. Such procedures included examining, on a test basis, evidence regarding the amounts and disclosures in the 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.

*/s/ Friedman LLP*

New York, New York

May 16, 2022

We have served as the Company’s auditor since 2020.

**BAOSHENG MEDIA GROUP HOLDINGS LIMITED**  
**CONSOLIDATED BALANCE SHEETS**  
As of December 31, 2021 and 2020  
(Expressed in U.S. dollar, except for the number of shares)

	December 31, 2021	December 31, 2020
<b>ASSETS</b>		
<b>Current Assets</b>		
Cash and cash equivalents	\$ 4,751,538	\$ 6,576,658
Restricted cash	4,131,313	3,695,598
Accounts receivable, net	56,363,183	65,154,845
Prepayments - third parties	9,376,247	6,058,481
Prepayments - a related party	2,361,779	-
Media deposits - third parties	1,244,704	6,837,879
Media deposits - a related party	1,426,419	-
Deferred offering cost	-	425,537
Due from related parties	1,748,769	-
Other current assets	4,797,022	3,323,532
<b>Total Current Assets</b>	<b>86,200,974</b>	<b>92,072,530</b>
Long-term investment	1,569,218	-
Property and equipment, net	1,378,457	909,236
Intangible assets, net	775,603	5,504
Prepayments for licensed copyrights	2,960,789	-
Right of use assets	1,195,092	353,238
<b>Total Assets</b>	<b>\$ 94,080,133</b>	<b>\$ 93,340,508</b>
<b>LIABILITIES AND SHAREHOLDERS' EQUITY</b>		
<b>Current Liabilities</b>		
Bank borrowing	\$ -	\$ 1,532,567
Accounts payable	12,161,957	35,376,612
Advance from advertisers	1,622,458	3,287,653
Advertiser deposits	916,531	5,881,908
Dividends payable	1,255,375	3,371,648
Income tax payable	278,440	570,540
Due to related parties	-	715,546
Operating lease liabilities, current	515,592	351,551
Warrant liabilities	2,744	-
Accrued expenses and other liabilities	2,728,300	591,622
<b>Total Current Liabilities</b>	<b>19,481,397</b>	<b>51,679,647</b>
Operating lease liabilities, noncurrent	537,447	-
<b>Total Liabilities</b>	<b>20,018,844</b>	<b>51,679,647</b>
<b>Commitments and Contingencies</b>		
<b>Shareholders' Equity</b>		
Ordinary Share (par value \$0.0005 per share, 100,000,000 shares authorized; 29,260,784 and 20,400,000 shares issued and outstanding at December 31, 2021 and 2020, respectively)	14,630	10,200
Additional paid-in capital	41,564,519	3,814,665
Statutory reserve	898,133	898,133
Retained earnings	28,996,464	35,743,917
Accumulated other comprehensive income	2,587,543	1,193,946
<b>Total Shareholders' Equity</b>	<b>74,061,289</b>	<b>41,660,861</b>
<b>Total Liabilities and Shareholders' Equity</b>	<b>\$ 94,080,133</b>	<b>\$ 93,340,508</b>

The accompanying notes are an integral part of the consolidated financial statements

**BAOSHENG MEDIA GROUP HOLDINGS LIMITED**  
**CONSOLIDATED STATEMENTS OF OPERATIONS AND COMPREHENSIVE INCOME (LOSS)**  
**For the Years Ended December 31, 2021, 2020 and 2019**  
**(Expressed in U.S. dollar, except for the number of shares)**

	For the Years Ended December 31,		
	2021	2020	2019
Revenues	\$ 3,911,560	\$ 11,911,229	\$ 17,846,900
Cost of revenues	(2,077,516)	(1,256,353)	(1,855,164)
<b>Gross profit</b>	<b>1,834,044</b>	<b>10,654,876</b>	<b>15,991,736</b>
<b>Operating Expenses</b>			
Selling and marketing expenses	(1,086,078)	(947,834)	(411,391)
General and administrative expenses	(2,856,789)	(2,103,263)	(3,501,471)
Provision for doubtful accounts	(6,880,008)	(1,960,604)	(1,628,516)
Impairment of property and equipment	(434,878)	-	-
<b>Total Operating Expenses</b>	<b>(11,257,753)</b>	<b>(5,011,701)</b>	<b>(5,541,378)</b>
<b>(Loss) Income from Operations</b>	<b>(9,423,709)</b>	<b>5,643,175</b>	<b>10,450,358</b>
<b>Other Income (Expenses)</b>			
Interest expense, net	(57,109)	(183,896)	(48,311)
Changes in fair value of warrant liabilities	2,367,632	-	-
Subsidy income	574,878	955,439	819,755
Other (expenses) income, net	(209,145)	638,611	(65,754)
<b>Total Other Income, Net</b>	<b>2,676,256</b>	<b>1,410,154</b>	<b>705,690</b>
<b>(Loss) Income Before Income Taxes</b>	<b>(6,747,453)</b>	<b>7,053,329</b>	<b>11,156,048</b>
Income tax (expense) benefit	-	(108,638)	18,528
<b>Net (Loss) Income</b>	<b>\$ (6,747,453)</b>	<b>\$ 6,944,691</b>	<b>\$ 11,174,576</b>
<b>Other Comprehensive Income (Loss)</b>			
Foreign currency translation adjustment	1,393,597	2,531,676	(333,548)
<b>Comprehensive (Loss) Income</b>	<b>\$ (5,353,856)</b>	<b>\$ 9,476,367</b>	<b>\$ 10,841,028</b>
<b>Weighted average number of ordinary share outstanding</b>			
Basic and Diluted	28,020,290	20,400,000	20,254,247
<b>(Loss) Earnings per share</b>			
Basic and Diluted	<b>\$ (0.24)</b>	<b>\$ 0.34</b>	<b>\$ 0.55</b>

The accompanying notes are an integral part of the consolidated financial statements

**BAOSHENG MEDIA GROUP HOLDINGS LIMITED**  
**CONSOLIDATED STATEMENTS OF CHANGES IN SHAREHOLDERS' EQUITY**  
**For the Years Ended December 31, 2021, 2020 and 2019**  
**(Expressed in U.S. dollar, except for the number of shares)**

	Ordinary Shares		Additional Paid-in Capital	Statutory Reserve	Retained Earnings	Accumulated Other Comprehensive (Loss) Income	Total Equity
	Shares*	Amount					
<b>Balance as of January 1, 2019</b>	<b>20,000,000</b>	<b>\$ 10,000</b>	<b>\$ 2,017,134</b>	<b>\$ 680,874</b>	<b>\$ 17,841,909</b>	<b>\$ (1,004,182)</b>	<b>\$ 19,545,735</b>
Capital injection from shareholders	400,000	200	1,797,531	–	–	–	1,797,731
Net income	–	–	–	–	11,174,576	–	11,174,576
Foreign currency translation adjustments	–	–	–	–	–	(333,548)	(333,548)
<b>Balance as of December 31, 2019</b>	<b>29,260,784</b>	<b>\$ 14,630</b>	<b>\$ 41,505,782</b>	<b>\$ 898,133</b>	<b>\$ 35,472,246</b>	<b>\$ 1,893,783</b>	<b>\$ 79,784,574</b>
Net income	–	–	–	–	6,944,691	–	6,944,691
Appropriation to statutory reserve	–	–	–	217,259	(217,259)	–	–
Foreign currency translation adjustments	–	–	–	–	–	2,531,676	2,531,676
<b>Balance as of December 31, 2020</b>	<b>20,400,000</b>	<b>\$ 10,200</b>	<b>\$ 3,814,665</b>	<b>\$ 898,133</b>	<b>\$ 35,743,917</b>	<b>\$ 1,193,946</b>	<b>\$ 41,660,861</b>
Issuance of ordinary shares in connection with initial public offering ("IPO")	6,000,000	3,000	26,079,224	–	–	–	26,082,224
Issuance of ordinary shares in connection with over-allotment of IPO	900,000	450	4,154,537	–	–	–	4,154,987
Issuance of ordinary shares in connection with a private placement	1,960,784	980	7,516,093	–	–	–	7,517,073
Net loss	–	–	–	–	(6,747,453)	–	(6,747,453)
Foreign currency translation adjustments	–	–	–	–	–	1,393,597	1,393,597
<b>Balance as of December 31, 2021</b>	<b>29,260,784</b>	<b>\$ 14,630</b>	<b>\$ 41,564,519</b>	<b>\$ 898,133</b>	<b>\$ 28,996,464</b>	<b>\$ 2,587,543</b>	<b>\$ 74,061,289</b>

The accompanying notes are an integral part of the consolidated financial statements

**BAOSHENG MEDIA GROUP HOLDINGS LIMITED**  
**CONSOLIDATED STATEMENTS OF CASH FLOWS**  
**For the Years Ended December 31, 2021, 2020 and 2019**  
**(Expressed in U.S. dollar, except for the number of shares)**

	For the Years Ended		
	December 31,		
	2021	2020	2019
<b>Cash Flows from Operating Activities:</b>			
<b>Net (loss) income</b>	\$ (6,747,453)	\$ 6,944,691	\$ 11,174,576
Adjustments to reconcile net (loss) income to net cash (used in) provided by operating activities:			
Depreciation and amortization expenses	286,874	449,035	340,894
Amortization of right-of-use assets	731,923	92,979	410,516
Provision for doubtful accounts of accounts receivables	4,155,246	1,960,604	1,561,805
Provision for doubtful accounts of prepayments	2,668,421	-	66,711
Provision for doubtful accounts of other current assets	56,341	-	-
Loss from disposal of property and equipment	14,810	-	-
Impairment of property and equipment	434,878	-	-
Gain from disposal of intangible assets	-	(639,792)	-
Changes in fair value of warrant liabilities	(2,367,632)	-	-
Issuance cost in connection with warrant liabilities	34,927	-	-
Deferred tax expenses (benefits)	-	108,638	(18,528)
<b>Changes in operating assets and liabilities:</b>			
Notes receivable	-	57,936	208,676
Accounts receivable	6,069,121	(12,463,921)	2,982,760
Prepayments - third parties	(5,802,836)	(153,907)	(3,150,578)
Prepayments - a related party	(2,333,148)	-	-
Media deposits - third parties	5,686,916	2,280,182	1,493,687
Media deposits - a related party	(1,409,128)	-	-
Other current assets	(1,353,409)	(590,378)	(46,275)
Accounts payable	(23,769,006)	(2,730,134)	5,093,900
Advance from advertisers	(1,722,679)	2,506,020	(7,931,953)
Advertiser deposits	(5,029,471)	(1,063,757)	(1,540,450)
Income tax payable	(302,038)	121,077	(338,653)
Accrued expenses and other liabilities	354,692	(182,909)	(527,212)
Operating lease liabilities	(870,548)	(89,568)	(415,517)
<b>Net Cash (Used in) Provided by Operating Activities</b>	<b>(31,213,199)</b>	<b>(3,393,204)</b>	<b>9,364,359</b>
<b>Cash Flows from Investing Activities:</b>			
Purchases of property and equipment	(1,101,948)	(1,007)	(691,376)
Purchases of intangible assets	(837,299)	-	(887,575)
Proceeds from disposal of intangible assets	-	1,245,619	-
Prepayments for licensed copyrights	(2,924,897)	-	-
Investment in an investee	(1,550,195)	-	-
Loan to related parties	-	-	(7,438)
<b>Net Cash (Used in) Provided by Investing Activities</b>	<b>(6,414,339)</b>	<b>1,244,612</b>	<b>(1,586,389)</b>
<b>Cash Flows from Financing Activities:</b>			
Issuance of ordinary shares pursuant to initial public offering, net of issuance costs	26,507,760	-	-
Issuance of ordinary shares pursuant to over-allotment, net of issuance costs	4,154,987	-	-
Issuance of units pursuant to a private placement, net of issuance costs	9,852,486	-	-
Capital injection from shareholders	-	-	1,797,731
Proceeds from bank borrowings	7,750,977	1,448,394	-
Repayment of bank borrowings	(9,301,172)	-	-
Proceeds from borrowings from third parties	-	6,611,917	6,947,661
Repayment of borrowings to third parties	-	(6,901,596)	(2,605,373)
Proceeds from borrowings from related parties	-	36,115	-
Repayment of borrowings to related parties	(709,021)	-	(29,867)
Payment of issuance cost related to initial public offering	-	(422,457)	-
Payments of dividends to shareholders	(2,170,273)	-	(4,052,802)
<b>Net Cash Provided by Financing Activities</b>	<b>36,085,744</b>	<b>772,373</b>	<b>2,057,350</b>
Effect of exchange rate changes on cash, cash equivalents and restricted cash	152,389	631,527	(70,130)
<b>Net (decrease) increase in cash, cash equivalents and restricted cash</b>	<b>(1,389,405)</b>	<b>(744,692)</b>	<b>9,765,190</b>
Cash, cash equivalents and restricted cash at beginning of year	10,272,256	11,016,948	1,251,758
<b>Cash, cash equivalents and restricted cash at end of year</b>	<b>\$ 8,882,851</b>	<b>\$ 10,272,256</b>	<b>\$ 11,016,948</b>
<b>Reconciliation of cash, cash equivalents and restricted cash to the consolidated balance sheets</b>			
Cash and cash equivalents	\$ 4,751,538	\$ 6,576,658	\$ 8,120,622
Restricted cash	4,131,313	3,695,598	2,896,326
<b>Total cash, cash equivalents and restricted cash</b>	<b>\$ 8,882,851</b>	<b>\$ 10,272,256</b>	<b>\$ 11,016,948</b>
<b>Supplemental Cash Flow Information</b>			
Cash paid for interest expense	\$ 88,518	\$ 191,486	\$ 28,750
Cash paid for income tax	\$ -	\$ -	\$ 252,878
<b>Non-cash operating, investing and financing activities</b>			
Right of use assets obtained in exchange for operating lease obligations	\$ 1,574,311	\$ 355,450	\$ 840,892
Settlement of borrowings from a third party by netting off against accounts receivable due from a third party	\$ -	\$ 4,055,502	\$ -

The accompanying notes are an integral part of the consolidated financial statements

## 1. ORGANIZATION AND BUSINESS DESCRIPTION

Baosheng Media Group Holdings Limited (“Baosheng Group”) was incorporated on December 4, 2018 under the laws of the Cayman Islands as an exempted company with limited liability.

Baosheng Group owns 100% of the equity interests of Baosheng Media Group Limited (“Baosheng BVI”), an entity incorporated under the laws of British Virgin Islands (“BVI”) on December 14, 2018.

Baosheng BVI owns 100% of the equity interests of Baosheng Media Group (Hong Kong) Holdings Limited (“Baosheng HK”), a business company incorporated in accordance with the laws and regulations of Hong Kong on January 7, 2019. On March 21, 2021, Baosheng HK established Beijing Baosheng Network Technology Co., Ltd. (“Baosheng Network”), a wholly owned subsidiary in China.

Beijing Baosheng Technology Company Limited (“Beijing Baosheng”) was established in October 17, 2014 under the laws of the People’s Republic of China (“China” or “PRC”) with a registered capital of \$289,540 (RMB 2,000,000). Beijing Baosheng has three wholly-owned subsidiaries, Horgos Baosheng Advertising Co., Ltd. (“Horgos Baosheng”), Kashi Baosheng Information Technology Co., Ltd. (“Kashi Baosheng”), and Baosheng Technology (Horgos) Co., Ltd. (“Baosheng Technology”), which were established on August 30, 2016, May 15, 2018 and January 2, 2020 in China, respectively.

On January 21, 2019, Baosheng HK entered into an equity transfer agreement with Beijing Baosheng and the shareholders of Beijing Baosheng. Pursuant to the equity transfer agreement, each of the shareholders of Beijing Baosheng transferred to Baosheng HK their respective equity interests in Beijing Baosheng at a consideration aggregating \$13,844,895 (RMB94,045,600), determined by reference to the evaluation of the equity interest of Beijing Baosheng as of June 30, 2018 (“reorganization”). Upon completion of such transfers, Beijing Baosheng became a direct wholly-owned subsidiary of Baosheng HK and an indirect-wholly owned subsidiary of the Company.

On June 4, 2019, Baosheng Group completed the reorganization of entities under common control of its then existing shareholders, who collectively owned 100% of the equity interests of Beijing Baosheng prior to the reorganization. Baosheng Group, Baosheng BVI and Baosheng HK were established as holding companies of Beijing Baosheng and its subsidiaries, and all of these entities are under common control which results in the consolidation of Beijing Baosheng and its subsidiaries, which have been accounted for as a reorganization of entities under common control at carrying value.

The consolidated financial statements are prepared on the basis as if the reorganization became effective as of the beginning of the first period presented in the consolidated financial statements.

Baosheng Group, Baosheng BVI, Baosheng HK, Beijing Baosheng and its subsidiaries (herein collectively referred to as the “Company”) are engaged in providing online marketing channels to advertisers for them to manage their online marketing activities.

## 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

### *Basis of Presentation and Principles of Consolidation*

The accompanying consolidated financial statements have been prepared in accordance with accounting principles generally accepted in the United States of America (“U.S. GAAP”) and pursuant to the rules and regulations of the Securities Exchange Commission (“SEC”).

The consolidated financial statements include the financial statements of the Company and its wholly owned subsidiaries. All intercompany transactions and balances among the Company and its subsidiaries have been eliminated upon consolidation.

## 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

### *Use of estimates*

The preparation of financial statements in conformity with U.S. GAAP requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities, disclosures of contingent assets and liabilities on the date of the financial statements, and the reported amounts of revenue and expenses during the reporting period. Actual results could differ from those estimates. On an ongoing basis, management reviews these estimates and assumptions using the currently available information. Changes in facts and circumstances may cause the Company to revise its estimates. The Company bases its estimates on past 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. Estimates are used when accounting for items and matters including, but not limited to, determinations of the useful lives and valuation of long-lived assets, estimates of allowances for doubtful accounts, valuation allowance for deferred tax assets, fair value of warrant liabilities, revenue recognition, and other provisions and contingencies.

### *Cash and cash equivalents*

Cash and cash equivalents primarily consist of bank deposits, as well as highly liquid investments, with original maturities of three months or less, which are unrestricted as to withdrawal and use. The Company maintains most of the bank accounts in the PRC. Cash balances in bank accounts in PRC are not insured by the Federal Deposit Insurance Corporation or other programs.

### *Restricted cash*

Restricted cash represents cash or cash equivalents at banks subject to withdrawal restrictions. As of December 31, 2021 and 2020, the Company had restricted cash in bank accounts in the amount of \$4,131,313 and \$3,695,598, respectively, which were frozen by a local court (Note 17). As of the date of this report, three out of the four frozen accounts have been unfrozen and the unfreezing procedure for the remaining one account is still in progress, which is expected to be completed by the end of July 2022.

### *Accounts receivable, net of provision for doubtful accounts*

Accounts receivable are recorded at the gross billing amount less an allowance for any uncollectible accounts due from the advertisers for the acquisition of ad inventory and other advertising services on their behalf. Accounts receivable do not bear interest. Management reviews the adequacy of the allowance for doubtful accounts on an ongoing basis, using historical collection trends and aging of receivables. Management also periodically evaluates individual customer's financial condition, credit history and the current economic conditions to make adjustments in the allowance when necessary. An allowance for doubtful accounts is made and recorded into general and administrative expenses based on any specifically identified accounts receivable that may become uncollectible. Account balances are charged off against the allowance after all means of collection have been exhausted and the potential for recovery is considered remote.

### *Prepayments*

Prepayments represent amounts advanced to media or their authorized agencies (collectively "publishers") for running of advertising campaigns of the advertisers. The publishers usually require advance payments when the Company orders advertising campaign services on behalf of its advertisers, and the prepayments will be utilized to offset the Company's future payments. These amounts are unsecured, non-interest bearing and generally short-term in nature, which are reviewed periodically to determine whether their carrying value has become impaired. As of December 31, 2021 and 2020, the Company accrued allowances of doubtful accounts of \$2,701,166 and \$nil against prepayments.

### *Media deposits*

Media deposits represent performance security deposit upon becoming an authorized agency of the relevant media (platforms where online advertisement is delivered) as a guarantee of performance and obligations and deposit associated with committed advertising spend on behalf of selected advertisers as required by certain media before running their advertising campaigns, which are paid to media pursuant to the terms of the framework agreements and contracts.

## 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

In the event that the advertisers or their advertising agencies on behalf of their advertising clients (collectively “advertisers”) commit to spending a guaranteed minimum amount on a particular media with the Company, the Company enters into a back-to-back framework agreement with the relevant publishers committing the same level of guaranteed minimum spend and securing a preferential rebate policy applicable to the advertising spend of that advertiser. With the committed minimum spend, the Company is entitled to enjoy certain rebates and discounts and usually be required to pay a deposit of up to 10% of the guaranteed minimum spend. If the Company fails to fulfil the committed minimum spend, the Company would not be entitled to the additional rebates and discounts, and any deposit that has been paid may be forfeited or deducted to pay up the additional amount without the benefit of the additional rebates and discounts.

The media may deduct damages from performance security deposit if the Company has breached the agency agreement or authorized agency management rules and conditions formulated by medias.

As of December 31, 2021 and 2020, the balances of media deposits paid to third parties were \$1,244,704 and \$6,837,879, respectively.

As of December 31, 2021 and 2020, the balances of media deposits paid to a related party were \$1,426,419 and nil, respectively.

### *Operating leases*

In February 2016, the Financial Accounting Standards Board (the “FASB”) issued ASU 2016-02, Leases (Topic 842), which is effective for annual reporting periods (including interim periods) beginning after December 15, 2018, and early adoption is permitted. The Company early adopted the Topic 842 on January 1, 2019 using a modified retrospective approach reflecting the application of the standard to leases existing at, or entered into after, the beginning of the earliest comparative period presented in the consolidated financial statements.

The Company leases its offices, which are classified as operating leases in accordance with Topic 842. Under Topic 842, lessees are required to recognize the following for all leases (with the exception of short-term leases) on the commencement date: (i) lease liability, which is a lessee’s obligation to make lease payments arising from a lease, measured on a discounted basis; and (ii) right-of-use asset, which is an asset that represents the lessee’s right to use, or control the use of, a specified asset for the lease term.

At the commencement date, the Company recognizes the lease liability at the present value of the lease payments not yet paid, discounted using the interest rate implicit in the lease or, if that rate cannot be readily determined, the Company’s incremental borrowing rate for the same term as the underlying lease. The right-of-use asset is recognized initially at cost, which primarily comprises the initial amount of the lease liability, plus any initial direct costs incurred, consisting mainly of brokerage commissions, less any lease incentives received. All right-of-use assets are reviewed for impairment. There was no impairment for right-of-use lease assets as of December 31, 2021 and 2020.

### *Property and equipment, net*

Property and equipment primarily consist of property, leasehold improvement, office equipment and electronic equipment, which is stated at cost less accumulated depreciation and impairment losses. Depreciation is provided using the straight-line method based on the estimated useful life. The useful lives of property and equipment as follows:

Property	20 years
Office equipment	5 years
Electronic equipment	3 years
Leasehold improvement	Shorter of useful life or lease term

Expenditures for repairs and maintenance, which do not materially extend the useful lives of the assets, are expensed as incurred. Expenditures for major renewals and betterments which substantially extend the useful life of assets are capitalized. The cost and related accumulated depreciation of assets disposed of or retired are removed from the accounts, and any resulting gain or loss is reflected in the consolidated statement of income and other comprehensive income in other income or expenses.

## 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

### *Intangible assets, net*

Purchased intangible assets primarily consist of copyrights and software, which are recognized and measured at fair value upon acquisition. Separately identifiable intangible assets that have determinable lives continue to be amortized over their estimated useful lives using the straight-line method based on their estimated useful lives as. The estimated useful lives of copyrights and software range from 3 to 10 years.

### *Long-term investment*

The Company elects to record the equity investment in a privately held company, over which the Company had no control or significant influence, using the measurement alternative at cost, less impairment, with subsequent adjustments for observable price changes resulting from orderly transactions for identical or similar investments of the same issuer. Such equity investment accounted for using the measurement alternative is subject to periodic impairment review. The Company's impairment analysis considers both qualitative and quantitative factors that may have a significant effect on the fair value of the equity investment. As of December 31, 2021, the Company did not record impairment loss against the long-term investment.

### *Impairment of long-lived assets*

The Company reviews long-lived assets for impairment whenever events or changes in circumstances indicate that the carrying amount of an asset may not be recoverable. Recoverability of assets to be held and used is measured by a comparison of the carrying amount of an asset to the future undiscounted net cash flows expected to be generated by the asset. If such assets are considered to be impaired, the impairment recognized is measured by the amount by which the carrying amount of the assets exceeds the fair value of the assets. Impairment of \$434,878, \$nil and \$nil was recognized on property and equipment for the years ended December 31, 2021, 2020 and 2019, respectively.

### *Advertiser deposits*

The advertiser deposits represented deposits made by the advertisers who undertake a minimum total advertising spend as a condition for enjoying rebates and discounts. The Company generally requires these advertisers to place deposits with the Company at a percentage (usually up to 10%) of the committed spend, which usually equals to the amount of deposit payable to the media under the corresponding framework agreement with the media specific to such advertiser (see note 2 – media deposits). If the advertiser fails to reach the committed minimum spend upon expiry or termination of the framework agreement; (i) the advertiser would not be entitled to the rebates and discounts under the preferential pricing policy, if any; (ii) the advertiser's deposit may be forfeited or deducted to pay up the additional amount it should pay without the benefits of rebates or discounts.

As of December 31, 2021 and 2020, the balances of advertiser deposits were \$916,531 and \$5,881,908, respectively.

### *Warrant Liabilities*

The Company evaluates the stock purchase warrants under Accounting Standards Codification ("ASC") 815-40, Derivatives and Hedging—Contracts in Entity's Own Equity. Warrants recorded as liabilities are recorded at their fair value and remeasured on each reporting date with change in estimated fair value of common stock warrant liability in the consolidated statement of operations.

## 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

### *Revenue recognition*

The Company early adopted ASC 606, Revenue from Contracts with Customers (“ASC 606”) on January 1, 2018, using the modified retrospective approach for contracts that were not completed as of December 31, 2017. ASC 606 establishes principles for reporting information about the nature, amount, timing and uncertainty of revenue and cash flows arising from the entity’s contracts to provide goods or services to customers. The core principle requires an entity to recognize revenue to depict the transfer of goods or services to customers in an amount that reflects the consideration that it expects to be entitled to receive in exchange for those goods or services recognized as performance obligations are satisfied. In accordance with ASC 606, revenues are recognized when control of the promised services is transferred to customers, in an amount that reflects the consideration the Company expects to be entitled to in exchange for those services.

The Company identified each distinct service, or each series of distinct services that are substantially the same and that have the same pattern of transfer to the customer, as a performance obligation. Transaction price is allocated among different performance obligations identified in one contract, by using expected cost plus margin approach, if the standalone selling price of each performance obligation is not observable.

The Company applied a practical expedient to expense costs as incurred for costs to obtain a contract with a customer when the amortization period would have been one year or less. The Company has no material incremental costs of obtaining contracts with customers that the Company expects the benefit of those costs to be longer than one year, which need to be recognized as assets.

The Company has advertising agency revenues from search engine marketing (“SEM”, a form of online marketing that involves the promotion of websites by increasing their visibility in search engine results pages and search-related products and services) services and non-SEM services, including deployment of in-feed and mobile app ads on other media and social media marketing services in relation to running advertising campaigns on selected social media accounts. The Company acts as an agent between media or their authorized agencies (collectively “publishers”) and advertisers by helping publishers procure advertisers and facilitate ad deployment on their advertising channels, and purchasing ad inventories and advertising services from publishers for advertisers. The Company places orders with publishers as per request from advertisers. Each order is materialized by a contract and explicitly quotes one agency service to arrange for the advertising service to be provided by a third party publisher for a period of ad term. The Company provides advice and services on advertising strategies and ad optimization to advertisers to improve the effectiveness of their ads, all of which are highly interrelated and not separately identifiable. The Company’s overall promise represents a combined output that is a single performance obligation; there is no multiple performance obligations.

The Company evaluated its advertising agency contracts and determined that it was not acting as principal in these arrangements with publishers and advertisers since it never takes control of the ad inventories at any time. The Company collects the costs of purchasing ad inventories and advertising services from advertisers on behalf of publishers. The Company generates advertising agency revenues either by charging additional fees to advertisers or receiving rebates and incentives offered by publishers. Accordingly, both advertisers and publishers can be identified as customers, depending on the revenue model applicable to the relevant services.

The Company recognizes revenues on a net basis, which equal to: (i) rebates and incentives offered by publishers, netting the rebates to advertisers (if any); and (ii) net fees from advertisers.

## 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

### Rebates and incentives offered by publishers

Rebates and incentives offered by publishers are determined based on the contract terms with publishers and their applicable rebate policies, which typically in the form of across-the-board standard-rate rebates, differential standard-rate rebates and progressive-rate rebates. Rebates and incentives offered by publishers are accounted for as variable consideration. The Company accrues and recognizes revenues in the form of rebates and incentives based on its evaluation as to whether the contractually stipulated thresholds of advertising spend are likely to be reached, or other benchmarks or certain prescribed classification are likely to be qualified (e.g. the number of new advertisers secured, growth in actual advertising spend), and to the extent that a significant reversal of cumulative revenue would not occur in future periods. These evaluations are based on the past experience and regularly monitoring of various performance factors set within the rebate policies (e.g. accumulated advertising spend, number of new advertisers). At the end of each subsequent reporting period, the Company re-evaluates the probability of achieving such advertising spend volume and any related constraint, and if necessary, adjusts the estimate of the amount of rebates and incentives. Any such adjustments are recorded on a cumulative catch-up basis, which would affect revenues and earnings in the period of adjustment. The rebates and incentives are generally ascertained and settled on a quarterly or annual basis. Historically, adjustments to the estimations for the actual amounts have been immaterial. These rebates and incentives take the form of cash which, when paid, are applied to set off accounts payable with the relevant publishers or settled separately; or can be in the form of ad currency units which will be deposited in the account in the back-end platform of the media, and can then be utilized to acquire their ad inventory.

The Company may offer rebates to advertisers on a case by case basis, generally with reference to the rebates and incentives offered by publishers, the advertiser's committed total spend, and the business relationships with such advertiser. The rebates offered by the Company to advertisers are in the form of cash discounts or ad currency units that can be utilized to acquire ad inventory from relevant media, both of which are account for as a deduction of revenues.

### Net fees from advertisers

Net fees from advertisers are the difference between the gross billing amount charged to the advertisers and the costs of purchasing ad inventories and advertising services on their behalf.

The publishers do not receive the benefits from the Company's facilitation services until the publishers deliver advertising services to the advertisers. The Company recognizes advertising agency revenues when it transfers the control of the facilitation service commitments, i.e., when the publishers deliver advertising services to the advertisers. Under the CPC and CPA pricing model of media, the Company recognizes revenues at the point of time as the publishers deliver advertising services at the point in time. Under the CPT pricing model of media, the publishers deliver advertising services over time when the advertising links are displayed over the contract periods, and therefore the Company recognizes revenue on a straight-line basis over the contracted display period. During the years ended December 31, 2021 and 2020, revenues from the advertising services under CPT pricing model that the Company arranged are immaterial.

The Company records revenues and costs on a net basis and the related accounts receivable and payable amounts on a gross basis.

The gross billing amounts charged to the advertisers are collected either in advance to provision of services or after the services. Accounts receivable represent the gross billing charged to advertisers that the Company has an unconditional right to consideration (including billed and unbilled amount) when the Company has satisfied its performance obligation. Payment terms and conditions of accounts receivables vary by customers, and terms typically include a requirement for payment within a period from three to six months. The Company has determined that all the contracts generally do not include a significant financing component. The Company does not have any contract assets since revenue is recognized when control of the promised services is transferred and the payment from customers is not contingent on a future event. In cases where the gross billing amounts are collected in advance, the amounts are recorded as "advance from advertisers" in the consolidated balance sheets. Advance from advertisers related to unsatisfied performance obligations at the end of the year is recognized as revenue when the Company delivers the services to its advertisers. The fees are non-refundable. In cases where amounts are collected after the services, accounts receivable are recognized upon delivery of ad inventories and advertising services to the advertisers. The gross billing amounts are determinable at the inception of the services.

## 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

The cost of purchasing ad inventories and advertising services are recorded as accounts payable or a deduction against prepayments in cases where prepayments are required by the publishers.

The following table identifies the disaggregation of our revenue for the years ended December 31, 2021, 2020 and 2019, respectively.

	For the Years Ended December 31,		
	2021	2020	2019
<b>Nature of Revenue:</b>			
Rebates and incentives offered by publishers	\$ 3,663,168	\$ 9,430,758	\$ 15,953,148
Net fees from advertisers	248,392	2,480,471	1,893,752
<b>Total</b>	<b>\$ 3,911,560</b>	<b>\$ 11,911,229</b>	<b>\$ 17,846,900</b>
<b>Category of Revenue:</b>			
SEM services	\$ 2,449,120	\$ 8,165,614	\$ 8,432,232
Non-SEM services	1,462,440	3,745,615	9,414,668
<b>Total</b>	<b>\$ 3,911,560</b>	<b>\$ 11,911,229</b>	<b>\$ 17,846,900</b>

### *Value added taxes*

The Company's PRC subsidiaries are subject to value added tax ("VAT") and related surcharges based on gross service price depending on the type of services provided in the PRC ("output VAT"), and the VAT may be offset by VAT paid by the Company on service purchases ("input VAT"). The applicable rate of output VAT or input VAT for the Company is 6%. Gross billing charged to advertisers, which is reflected as accounts receivable on gross basis in the consolidated balance sheet, is subject to output VAT at a rate of 6% and subsequently paid to PRC tax authorities after netting input VAT on purchases incurred during the period. The Company's revenues are presented net of costs of purchasing ad inventories and services paid on behalf of advertisers, VAT collected on behalf of PRC tax authorities and its related surcharges; the VAT is not included in the consolidated statements of income and comprehensive income.

### *Cost of revenues*

Cost of revenues related to advertising agency is primarily personnel related costs and business taxes. These costs are expensed as incurred.

### *Income Taxes*

The Company accounts for income taxes in accordance with the U.S. GAAP for income taxes. Under the asset and liability method as required by this accounting standard, the recognition of deferred income tax liabilities and assets for the expected future tax consequences of temporary differences between the income tax basis and financial reporting basis of assets and liabilities. Provision for income taxes consists of taxes currently due plus deferred taxes.

The charge for taxation is based on the results for the year as adjusted for items which are non-assessable or disallowed. It is calculated using tax rates that have been enacted or substantively enacted by the balance sheet date.

Deferred tax is accounted for using the balance sheet liability method in respect of temporary differences arising from differences between the carrying amount of assets and liabilities in the financial statements and the corresponding tax basis. Deferred tax assets are recognized to the extent that it is probable that taxable income to be utilized with prior net operating loss carried forwards. Deferred tax is calculated using tax rates that are expected to apply to the period when the asset is realized or the liability is settled. Deferred tax is charged or credited in the income statement, except when it is related to items credited or charged directly to equity. Deferred tax assets are reduced by a valuation allowance when, in the opinion of management, it is more likely than not that some portion or all of the deferred tax assets will not be realized. Current income taxes are provided for in accordance with the laws of the relevant taxing authorities.

## 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

An uncertain tax position is recognized as a benefit only if it is “more likely than not” that the tax position would be sustained in a tax examination, with a tax examination being presumed to occur. The amount recognized is the largest amount of tax benefit that is greater than 50% likely of being realized on examination. Penalties and interest incurred related to underpayment of income tax are classified as income tax expense in the period incurred. The Company does not believe that there was any uncertain tax position as of December 31, 2021 and 2020. As of December 31, 2021, income tax returns for the tax years ended December 31, 2017 through December 31, 2021 remain open for statutory examination.

### *Earnings per share*

Basic earnings per ordinary share is computed by dividing net earnings attributable to ordinary shareholders by the weighted-average number of ordinary shares outstanding during the period. Diluted earnings per share is computed by dividing net income attributable to ordinary shareholders by the sum of the weighted average number of ordinary share outstanding and of potential ordinary share (e.g., convertible securities, options and warrants) as if they had been converted at the beginning of the periods presented, or issuance date, if later. Potential ordinary share that have an anti-dilutive effect (i.e., those that increase income per share or decrease loss per share) are excluded from the calculation of diluted earnings per share. For the years ended December 31, 2021, 2020 and 2019, the Company had no dilutive stocks.

### *Foreign currency translation*

The reporting currency of the Company is U.S. dollars (“US\$”) and the accompanying consolidated financial statements have been expressed in US\$. Since the Company operates primarily in the PRC, the Company’s functional currency is the Chinese Yuan (“RMB”). The Company’s consolidated financial statements have been translated into the reporting currency U.S. Dollars (“US\$” or “\$”). Assets and liabilities of the Company are translated at the exchange rate at each reporting period end date. Equity is translated at historical rates. Income and expense accounts are translated at the average rate of exchange during the reporting period. Because cash flows are translated based on the average translation rate, amounts related to assets and liabilities reported on the statement of cash flows will not necessarily agree with changes in the corresponding balances on the balance sheet. The resulting translation adjustments are reported under other comprehensive income (loss). Gains and losses resulting from the translations of foreign currency transactions and balances are reflected in the results of operations.

The following table outlines the currency exchange rates that were used in creating the consolidated financial statements in this report:

	December 31, 2021	December 31, 2020	
Year-end spot rate	6.3726	6.5250	
	For the Years Ended December 31,		
	2021	2020	2019
Average rate	6.4508	6.9042	6.9088

### *Fair value of financial instruments*

Fair value is defined as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. A three-level fair value hierarchy prioritizes the inputs used to measure fair value. The hierarchy requires entities to maximize the use of observable inputs and minimize the use of unobservable inputs. The three levels of the fair value hierarchy are described below:

Level 1 – inputs to the valuation methodology are quoted prices (unadjusted) for identical assets or liabilities in active markets.

Level 2 – inputs to the valuation methodology include quoted prices for similar assets and liabilities in active markets, and inputs that are observable for the assets or liability, either directly or indirectly, for substantially the full term of the financial instruments.

## 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Level 3 – inputs to the valuation methodology are unobservable and significant to the fair value.

Financial instruments of the Company primarily comprised current assets and current liabilities including cash and cash equivalents, notes receivable, accounts receivable, third party and related party media deposits, other receivables, accounts payables, advertiser deposits, dividend payable, tax payable, other payables, due to related parties and warrant liabilities. Warrant liabilities were measured at fair value using unobservable inputs and categorized in Level 3 of the fair value hierarchy. As of December 31, 2021 and 2020, the carrying values of other financial instruments approximated to their fair values because of the short-term nature of these instruments.

### **Reclassifications**

Certain prior period amounts have been reclassified to conform with the current period presentation. These reclassifications had no impact on previously reported net income or cash flows.

### **Concentration and credit risk**

Substantially all of the Company's operating activities are transacted into RMB, which is not freely convertible into foreign currencies. All foreign exchange transactions take place either through the People's Bank of China or other banks authorized to buy and sell foreign currencies at the exchange rates quoted by the People's Bank of China. Approval of foreign currency payments by the People's Bank of China or other regulatory institutions require submitting a payment application form together with suppliers' invoices, shipping documents and signed contracts.

The Company maintains certain bank accounts in the PRC, Hong Kong and Cayman Islands, which are not insured by Federal Deposit Insurance Corporation ("FDIC") insurance or other insurance. As of December 31, 2021 and 2020, \$1,934,708 and \$6,061,340 of the Company's cash were on deposit at financial institutions in the PRC, respectively, where there currently is no rule or regulation requiring such financial institutions to maintain insurance to cover bank deposits in the event of bank failure.

Accounts receivable are typically unsecured and derived from services rendered to advertisers that are located primarily in China, thereby exposed to credit risk. The risk is mitigated by the Company's assessment of advertisers' creditworthiness and its ongoing monitoring of outstanding balances. The Company has a concentration of its receivables with specific advertisers. As of December 31, 2021, two advertisers accounted for 17.4% and 12.6% of accounts receivable, respectively. As of December 31, 2020, two advertisers accounted for 21.6% and 11.0% of accounts receivable, respectively.

For the year ended December 31, 2021, three publishers accounted for approximately 41.8%, 28.1% and 16.5% of the total revenue, respectively. For the year ended December 31, 2020, two publishers accounted for approximately 68.9% and 12.8% of the total revenue, respectively. For the year ended December 31, 2019, two publishers accounted for approximately 45.6% and 13.6% of the total revenue, respectively.

As of December 31, 2021, three publishers accounted for 36.2%, 13.6% and 10.2% of the total accounts payable balance, respectively. As of December 31, 2020, five publishers accounted for 22.1%, 16.0%, 15.7%, 14.6% and 14.3% of the total accounts payable balance, respectively.

## 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

### *Recently issued accounting pronouncements*

In June 2016, the FASB issued ASU No. 2016-13, “Measurement of Credit Losses on Financial Instruments (Topic 326)”, which significantly changes the way entities recognize impairment of many financial assets by requiring immediate recognition of estimated credit losses expected to occur over their remaining life, instead of when incurred. In November 2018, the FASB issued ASU No. 2018-19, “Codification Improvements to Topic 326, Financial Instruments—Credit Losses”, which amends Subtopic 326-20 (created by ASU No.2016-13) to explicitly state that operating lease receivables are not in the scope of Subtopic 326-20. Additionally, in April 2019, the FASB issued ASU No.2019-04, “Codification Improvements to Topic 326, Financial Instruments—Credit Losses, Topic 815, Derivatives and Hedging, and Topic 825, Financial Instruments”, in May 2019, the FASB issued ASU No. 2019-05, “Financial Instruments—Credit Losses (Topic 326): Targeted Transition Relief”, and in November 2019, the FASB issued ASU No. 2019-10, “Financial Instruments—Credit Losses (Topic 326), Derivatives and Hedging (Topic 815), and Leases (Topic 842): Effective Dates”, and ASU No. 2019-11, “Codification Improvements to Topic 326, Financial Instruments—Credit Losses”, to provide further clarifications on certain aspects of ASU No. 2016-13 and to extend the nonpublic entity effective date of ASU No. 2016-13. The changes (as amended) are effective for the Company for annual and interim periods in fiscal years beginning after December 15, 2022, and the Company is in the process of evaluating the potential effect on its consolidated financial statements.

The Company does not believe other recently issued but not yet effective accounting standards, if currently adopted, would have a material effect on the consolidated financial position, statements of operations and cash flows.

### 3. GOING CONCERN

As reflected in the Company’s consolidated financial statements, the Company had a net loss of \$6,747,453 for the year ended December 31, 2021 and has a negative cash flow of \$31,213,199 and \$3,393,204 from operating activities for the years ended December 31, 2021 and 2020, respectively. These factors raise a substantial doubt about the Group’s ability to continue as a going concern.

As of December 31, 2021, the Company had cash and cash equivalent of \$4,751,538 and restricted cash of \$4,131,313 in four bank accounts of Beijing Baosheng, which were frozen pursuant to the Freezing Order issued by Beijing Haidian District People’s Court for a legal proceeding among a plaintiff and Beijing Baosheng (the “Freezing Order”). As of the date of this annual report, three out of the four frozen accounts with a total balance of \$4,051,966 as of December 31, 2021 have been unfrozen and the unfreezing procedure for the remaining one account with a balance of \$79,347 as of December 31, 2021 is still in progress, which is expected to be completed by the end of July 2022. In connection with the Freezing Order, the 100% equity interest in both Horgos Baosheng and Kashi Baosheng held by Beijing Baosheng were frozen by the court. As of December 31, 2021, the net assets of Horgos Baosheng and Kashi Baosheng were \$27,210,992 and \$2,804,996, respectively. Additionally, the unfreezing procedure related to Beijing Baosheng’s equity interests in Horgos Baosheng and Kashi Baosheng is still in progress. Management expects that the impacted equity interests will be unfrozen upon the expiration date of the Freezing Order in August 2022 (see Note 17 Contingencies).

The Company intends to meet the cash requirements for the next 12 months from the issuance date of this report through a combination of application of credit terms, bank loans, and principal shareholder’s financial support. The Company will focus on the following activities:

- a. The Company is in progress of application of credit terms from a publisher, to which the Company had prepayments of \$3,358,839 as of December 31, 2021;
- b. As of December 31, 2021, the working capital was \$66,719,577, consisting of net accounts receivable of \$56,363,183, and media deposit balance of \$2,671,123. The Company expected to collect the outstanding net balances (after deducting the bad debt allowance) within the twelve months from the issuance of the report. As of December 31, 2021, the working capital of Horgos Baosheng and Kashi Baosheng were \$9,703,890 and \$8,030,049, respectively, which were restricted pursuant to the Freezing Order and such restrictions are expected to be released upon the expiration date in August 2022; and
- c. In April 2022, a principal shareholder of the Company, has agreed to consider to provide necessary financial support in the form of debt to the Company to enable the Company to meet its other liabilities and commitments as they become due for at least twelve months from the issuance date of this report.

However, future financing requirements will depend on many factors, including the scale and pace of the expansion of the Company's advertising business, the expansion of the Group's sales and marketing activities, and potential investments in, or acquisitions of, businesses or technologies. Inability to obtain credit terms from medias or access to financing on favorable terms in a timely manner or at all would materially and adversely affect the Company's business, results of operations, financial condition, and growth prospects.

#### 4. ACCOUNTS RECEIVABLE, NET

The Company records revenues and costs on a net basis and the related accounts receivable and payable amounts on a gross basis. Accounts receivable, net of provision for doubtful accounts consist of the following:

	December 31, 2021	December 31, 2020
Accounts receivable	\$ 62,789,964	\$ 69,857,239
Less: provision for doubtful accounts	(6,426,781)	(4,702,394)
<b>Accounts receivable, net of provision for doubtful accounts</b>	<b>\$ 56,363,183</b>	<b>\$ 65,154,845</b>

Provisions for doubtful accounts of accounts receivable were \$4,155,246, \$1,960,604 and \$1,561,805 for the years ended December 31, 2021, 2020 and 2019, respectively. Movement of allowance for doubtful accounts was as follows:

	December 31, 2021	December 31, 2020
Balance at beginning of the year	\$ 4,702,394	\$ 2,460,780
Charge to expenses	4,155,246	1,960,604
Writing off of accounts receivable	(2,562,857)	-
Foreign exchange loss	131,998	281,010
<b>Balance at end of the year</b>	<b>\$ 6,426,781</b>	<b>\$ 4,702,394</b>

#### 5. PREPAYMENTS – THIRD PARTIES

Prepayments – third parties consist of the following:

	December 31, 2021	December 31, 2020
Prepayments to third party medias	\$ 12,077,413	\$ 6,058,481
Less: provision for doubtful accounts	(2,701,166)	-
	<b>\$ 9,376,247</b>	<b>\$ 6,058,481</b>

For the years ended December 31, 2021, 2020 and 2019, provisions for doubtful accounts of prepayments – third parties were \$2,668,421, \$nil and \$66,711, respectively.

#### 6. OTHER CURRENT ASSETS

Other current assets consist of the following:

	December 31, 2021	December 31, 2020
Recoverable value-added taxes	\$ 4,197,620	\$ 3,141,867
Others	620,023	190,568
Less: provision for doubtful accounts	(20,621)	(8,903)
	<b>\$ 4,797,022</b>	<b>\$ 3,323,532</b>

For the years ended December 31, 2021, 2020 and 2019, provisions for doubtful accounts of other current assets were \$56,341, \$nil and \$nil, respectively, among which the Company wrote off other current assets of \$35,976, \$nil and \$nil.

## 7. PROPERTY AND EQUIPMENT, NET

Property and equipment, net consisted of the following:

	December 31, 2021	December 31, 2020
Property	\$ 858,858	\$ 838,798
Leasehold improvement	283,607	373,966
Office equipment	173,355	139,848
Electronic equipment	377,162	68,269
Less: accumulated depreciation	(314,525)	(511,645)
	<u>\$ 1,378,457</u>	<u>\$ 909,236</u>

Depreciation expense was \$210,208, \$236,059 and \$202,024 for the years ended December 31, 2021, 2020 and 2019, respectively. During the year ended December 31, 2021, the Company recognized impairment loss of \$434,878 on electronic equipment.

During the years ended December 31, 2021, the Company disposed of leasehold improvement, office equipment and electronic equipment, and recorded loss from disposal of property and equipment of \$14,810. On the date of disposal, the cost and accumulated depreciation of leasehold improvement was \$382,909 and \$382,909, respectively, the cost and accumulated depreciation of office equipment was \$27,071 and \$13,436, respectively, and the cost and accumulated depreciation of office equipment was \$27,156 and \$25,798, respectively.

## 8. INTANGIBLE ASSETS, NET

Intangible assets consisted of the following:

	December 31, 2021	December 31, 2020
Copyrights	\$ 814,217	\$ –
Software	84,082	49,540
Less: accumulated amortization	(122,696)	(44,036)
	<u>\$ 775,603</u>	<u>\$ 5,504</u>

In September 2020, the Company sold a copyright for SEM business related to a third party in exchange for cash consideration of \$1,245,619, and a gain of \$639,792 was recorded in the account of “Other income (expenses), net”.

Amortization expense was \$76,666, \$212,976 and \$138,870 for the years ended December 31, 2021, 2020 and 2019, respectively.

## 9. PREPAYMENTS FOR LICENSED COPYRIGHTS

Prepayments for licensed copyrights consisted of the following:

	December 31, 2021	December 31, 2020
<b>Prepayments for licensed copyrights</b>	<u>\$ 2,960,789</u>	<u>\$ –</u>

During the year ended December 31, 2021, the Company entered into two cooperation agreements with a third party entity, pursuant to which the Company will have the right to use the licensed copyrights of two games developed by such third party entity for a three-year term. During the year ended December 31, 2021, the Company made prepayments of \$2,924,897. The two games are expected to have online tests in May 2023 and to be launched around November 2023.

## 10. OPERATING LEASE

As of December 31, 2021 and 2020, the Company leases offices space under non-cancelable operating leases, with terms of three years. The Company considers those renewal or termination options that are reasonably certain to be exercised in the determination of the lease term and initial measurement of right of use assets and lease liabilities. Lease expense for lease payment is recognized on a straight-line basis over the lease term.

The Company determines whether a contract is or contains a lease at inception of the contract and whether that lease meets the classification criteria of a finance or operating lease. When available, the Company uses the rate implicit in the lease to discount lease payments to present value; however, most of the Company's leases do not provide a readily determinable implicit rate. Therefore, the Company discount lease payments based on an estimate of its incremental borrowing rate.

The Company's lease agreements do not contain any material residual value guarantees or material restrictive covenants.

The table below presents the operating lease related assets and liabilities recorded on the balance sheets.

	December 31, 2021	December 31, 2020
Rights of use lease assets	\$ 1,195,092	\$ 353,238
Operating lease liabilities, current	515,592	351,551
Operating lease liabilities, noncurrent	537,447	—
Total operating lease liabilities	<u>\$ 1,053,039</u>	<u>\$ 351,551</u>

The weighted average remaining lease terms and discount rates for all of operating leases were as follows as of December 31, 2021 and 2020:

	December 31, 2021	December 31, 2020
<b>Remaining lease term and discount rate</b>		
Weighted average remaining lease term (years)	2.25	0.86
Weighted average discount rate	4.75 %	4.75 %

During the years ended December 31, 2021, 2020, and 2019, the Company incurred total operating lease expenses of \$612,868, \$350,344 and \$596,340, respectively.

The following is a schedule, by years, of maturities of lease liabilities as of December 31, 2021:

For the year ended December 31, 2022	\$ 556,651
For the year ended December 31, 2023 and thereafter	555,307
Total lease payments	1,111,958
Less: imputed interest	(58,919)
Present value of lease liabilities	<u>\$ 1,053,039</u>

## 11. BANK BORROWING

	December 31, 2021	December 31, 2020
<b>Bank borrowing</b>	<b>\$ —</b>	<b>\$ 1,532,567</b>

On March 24, 2020, Beijing Baosheng entered into a two-year credit facility agreement of maximum RMB 10,000,000 (equivalent to \$1,448,394) with Bank of Communications. On April 1, 2020, Beijing Baosheng withdrew RMB 10,000,000 (equivalent to \$1,448,394), which will be due on March 30, 2021. The loan bears a fixed interest rate of 4.785% per annum. The loan is guaranteed by Beijing Guohua Wenke Finance Guarantee Co., Ltd., for whom a counter-guarantee was provided by Kashi Baosheng and Ms. Wenxiu Zhong, the Chairperson of the Company's board of directors and CEO. Beijing Baosheng also provided counter-guarantee to Beijing Guohua Wenke Finance Guarantee Co., Ltd. with accounts receivable from one customer of RMB 105,000,000 (equivalent to \$14,852,115) pledged as the collateral. The outstanding balance was RMB 10,000,000 (equivalent to \$1,532,567), which was fully repaid as of the maturity date in March 2021.

On March 5, 2021, Beijing Baosheng entered into a revolving credit facility agreement of with Bank of Communications under which Beijing Baosheng can draw-down up to RMB50,000,000 million (approximately \$7,750,977) by June 8, 2021. Each borrowing under the credit facility is due within three months from the date of issuance. The interest rate for this credit facility was fixed at 3.85% per annum, and required the Company to make a deposit of same amount. The loan is guaranteed by Ms. Wenxiu Zhong. The Company has repaid borrowing in May 2021 and the deposit was released accordingly.

For the year ended December 31, 2021, 2020 and 2019, interest expense arising from the bank borrowing amounted to \$88,518, \$50,824 and \$nil, respectively.

## 12. WARRANT LIABILITIES

In connection with the private placement on March 18, 2021 (Note 15), the Company sold an aggregate of 1,960,784 warrants with each to purchase one half of one ordinary share at an exercise price of \$5.61 per ordinary share. A warrant may be exercised at any time on or after March 18, 2021 and on or prior to 5:00 p.m. (New York City time) on September 18, 2026 but not thereafter.

The holders of warrants are granted with registration rights. If at any time after the six month anniversary of March 18, 2021, there is no effective registration statement registering, or no current prospectus available for the issuance of the warrant shares to the holder and the resale of the warrant shares, then this warrant may also be exercised, in whole or in part, at such time by means of a "cashless exercise". The warrants are subject to adjustments in the event of 1) stock dividends and splits, 2) subsequent right offerings, 3) pro rata dilutions and 4) fundamental transactions. No fractional shares or scrip representing fractional shares shall be issued upon the exercise of the warrants.

In the event of a fundamental transaction, the Company or any successor entity shall, at the holder's option, purchase this warrant from the holder by paying to the holder an amount of cash equal to the value of the remaining unexercised portion of the warrant, using Black-Scholes model, on the date of the consummation of such fundamental transaction; provided, however, that, if the fundamental transaction is not within the Company's control, including not approved by the Company's Board of Directors, holder shall only be entitled to receive from the Company or any successor entity the same type or form of consideration (and in the same proportion), at the value of the unexercised portion of the warrant, that is being offered and paid to the holders of ordinary shares of the Company in connection with the fundamental transaction, whether that consideration be in the form of cash, stock or any combination thereof, or whether the holders of ordinary shares are given the choice to receive from among alternative forms of consideration in connection with the fundamental transaction.

If the Company fails for any reason to deliver to the holders the warrant shares subject to a notice of exercise by the warrant share delivery date, the Company shall pay to the holder, in cash, as liquidated damages and not as a penalty, for each \$1,000 of warrant shares subject to such exercise (based on the volume weighted average price of the ordinary shares on the date of the applicable Notice of Exercise), \$10 per trading day (increasing to \$20 per trading day on the fifth (5th) Trading Day after such liquidated damages begin to accrue) for each trading day after such warrant share delivery date until such warrant shares are delivered or holder rescinds such exercise. In addition, cash payment is required as a compensation for buy-in on failure of delivery warrant shares.

## 12. WARRANT LIABILITIES (CONTINUED)

The above mentioned cash-settled make-whole provisions led the warrants classified as a derivative warrant liability. The derivative warrant liability was initially recorded at fair value on the closing date of the private placement, and were subsequently remeasured at fair value at each reporting dates. The changes in the fair value of derivative warrant liability were charged to the account of “Changes in fair value of warrant liabilities” in the consolidated statements of operations and comprehensive income (loss).

As of December 31, 2021, the Company had 1,960,784 of private placement warrants outstanding. The warrant liability related to such warrants was remeasured to its fair value at each reporting period. The change in fair value was recognized in the consolidated statements of operations. The change in the fair value of the warrant liabilities is summarized as follows:

Estimated fair value as of January 1, 2021	\$	—
Issuance of warrants		2,370,376
Changes in estimated fair value		<u>(2,367,632)</u>
Estimated fair value as of December 31, 2021	\$	<u>2,744</u>

The fair value of the warrant liabilities was estimated using Black-Scholes model. Inherent in these valuations are assumptions related to expected stock-price volatility, expected life, risk-free interest rate and dividend yield. The Company estimates the volatility of its common stock based on historical and implied volatilities of selected peer companies as well as its own that matches the expected remaining life of the warrants. The risk-free interest rate is based on the U.S. Treasury zero-coupon yield curve on the grant date for a maturity similar to the expected remaining life of the warrants. The expected life of the warrants is assumed to be equivalent to their remaining contractual term. The dividend rate is based on the historical rate, which the Company anticipates remaining at zero.

The following table provides quantitative information regarding Level 3 fair value measurements inputs for the Company’s warrants at their measurement dates:

	As of December 31, 2021	As of March 18, 2021
Volatility	32.52 %	31.26 %
Stock price	0.90	6.58
Expected life of the warrants to convert	4.72	5.50
Risk free rate	1.27 %	1.09 %
Dividend yield	0.0 %	0.0 %

## 13. INCOME TAXES

### *Cayman Islands*

Under the current and applicable 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 to its shareholders, no Cayman Islands withholding tax will be imposed.

### *British Virgin Islands*

Under the current and applicable laws of BVI, Baosheng BVI is not subject to tax on income or capital gains.

### *Hong Kong*

Baosheng HK is incorporated in Hong Kong and is subject to Hong Kong Profits Tax on the taxable income as reported in its statutory financial statements adjusted in accordance with relevant Hong Kong tax laws. The applicable tax rate for the first HKD\$2 million of assessable profits is 8.25% and assessable profits above HKD\$2 million will continue to be subject to the rate of 16.5% for corporations in Hong Kong, effective from the year of assessment 2018/2019. Before that, the applicable tax rate was 16.5% for corporations in Hong Kong. The Company did not make any provisions for Hong Kong profit tax as there were no assessable profits derived from or earned in Hong Kong since inception. Under Hong Kong tax laws, Baosheng HK is exempted from income tax on its foreign-derived income and there are no withholding taxes in Hong Kong on remittance of dividends.

**13. INCOME TAXES (CONTINUED)***PRC*

Beijing Baosheng, Horgos Baosheng, Kashi Baosheng, Baosheng Technology and Baosheng Network were incorporated in the PRC and are subject to PRC Enterprise Income Tax (“EIT”) on the taxable income in accordance with the relevant PRC income tax laws. On March 16, 2007, the National People’s Congress enacted a new enterprise income tax law, which took effect on January 1, 2008. The law applies a uniform 25% enterprise income tax rate to both foreign invested enterprises and domestic enterprises.

Horgos Baosheng, Kashi Baosheng, and Baosheng Technology are subject to a preferential income tax rate of 0% CIT for a period since generating revenues, as they were incorporated in the Horgos and Kashi Economic District, Xinjiang province. The five-year preferential income tax treatment ends on December 31, 2022 and December 31, 2025, respectively, for Kashi Baosheng and Baosheng Technology. Horgos Baosheng was entitled to the five-year preferential income tax treatment for ended on December 31, 2020 and is entitled to an extension of five-year preferential income tax treatment ended on December 31, 2025.

In addition, each of Beijing Baosheng and Horgos Baosheng have a branch in Beijing. The two branches are subject to an EIT of 25%.

Income tax expense consist of the following:

	For the Years Ended December 31,		
	2021	2020	2019
Current income tax expense	\$ —	\$ —	\$ —
Deferred income tax expense (benefit)	—	108,638	(18,528)
<b>Income tax expense (benefit)</b>	<b>\$ —</b>	<b>\$ 108,638</b>	<b>\$ (18,528)</b>

Below is a reconciliation of the statutory tax rate to the effective tax rate:

	For the Years Ended December 31,		
	2021	2020	2019
PRC statutory income tax rate	25 %	25 %	25 %
Impact of different income tax rates in other jurisdictions	5.9 %	1.4 %	0.5 %
Effect of preferential tax rate(a)	(23.6)%	(38.1)%	(33.7)%
Effect of non-deductible expenses	(0.7)%	7.9 %	4.9 %
Effect of change in valuation allowance	(6.6)%	5.4 %	3.1 %
Effective tax rate	<b>0.0 %</b>	<b>1.6 %</b>	<b>(0.2) %</b>

- (a) The Company’s subsidiaries, Horgos Baosheng, Kashi Baosheng and Baosheng Technology are subject to a favorable tax rate of 0%. For the years ended December 31, 2021, 2020 and 2019, the tax saving as the result of the favorable tax rate amounted to \$nil, \$2,686,911 and \$3,761,148, respectively, and per share effect of the favorable tax rate (after stock split and share reorganization) were \$nil, \$0.13, and \$0.19.

### 13. INCOME TAXES (CONTINUED)

Deferred tax assets as of December 31, 2021 and 2020 consist of the following:

	December 31, 2021	December 31, 2020
<b>Deferred tax assets:</b>		
Net operating losses carryforwards	\$ 1,465,593	\$ 1,072,893
Allowance for doubtful accounts of accounts receivable	65,526	67,712
Allowance for doubtful accounts of prepayments	114,293	–
Allowance for doubtful accounts of other current assets	1,858	2,224
Less: allowance on deferred tax assets	<u>(1,647,270)</u>	<u>(1,142,829)</u>
	<u>\$ –</u>	<u>\$ –</u>

The Company evaluates its valuation allowance requirements at end of each reporting period by reviewing all available evidence, both positive and negative, and considering whether, based on the weight of that evidence, a valuation allowance is needed. When circumstances cause a change in management’s judgement about the realizability of deferred tax assets, the impact of the change on the valuation allowance is generally reflected in income from operations. The future realization of the tax benefit of an existing deductible temporary difference ultimately depends on the existence of sufficient taxable income of the appropriate character within the carryforward period available under applicable tax law.

As of December 31, 2021 and 2020, due to uncertainties surrounding future utilization on Beijing Baosheng, Baosheng Network, the Beijing branch of Horgos Baosheng and Baosheng HK, the Company accrued full valuation allowance of \$1,647,270 and \$1,142,829, respectively, against the deferred tax assets based upon management’s assessment as to their realization.

### 14. EARNINGS PER SHARE

The following table sets forth the computation of basic and diluted loss per common share for the years ended December 31, 2021, 2020 and 2019, respectively:

	For the Years Ended December 31,		
	2021	2020	2019
Net (Loss) Income	\$ (6,747,453)	\$ 6,944,691	\$ 11,174,576
<b>Weighted average number of ordinary share outstanding</b>			
Basic and Diluted	<u>28,020,290</u>	<u>20,400,000</u>	<u>20,254,247</u>
<b>(Loss) Earnings per share</b>			
Basic and Diluted	<u>\$ (0.24)</u>	<u>\$ 0.34</u>	<u>\$ 0.55</u>

For the years ended December 31, 2021, 2020 and 2019, the Company had no dilutive stocks.

### 15. EQUITY

#### Ordinary shares

The Company’s authorized share capital is 5,000,000 ordinary shares, par value \$0.01 per share. On December 4, 2018, the Company issued 100 ordinary shares, which issuance was considered as being part of the reorganization of the Company and was retroactively applied as if the transaction occurred at the beginning of the period presented (see Note 1).

On May 13, 2019, the Company issued two ordinary shares, par value \$0.01 per share, to Etone Investment, in exchange of capital contribution of \$1,797,731 (HK\$14,000,000).

## 15. EQUITY (CONTINUED)

On July 6, 2020, the Company's shareholders and Board of Directors approved: (i) an increase of the authorized ordinary shares from 5,000,000 shares of a nominal or par value of US\$0.01 to 100,000,000 shares of a nominal or par value of US\$0.0005, (ii) a 20-for-1 stock split to sub-divide the original 102 shares of issued ordinary shares in the capital of the Company into 2,040 shares of ordinary shares, and (iii) the issuance of an aggregated 20,397,960 shares of ordinary shares, at par value of \$0.0005, to all existing shareholders on a pro rata basis. No cash or other consideration was paid for the issuance of 20,397,960 ordinary shares. All the existing shareholders and directors of the Company consider this stock issuance was part of the Company's reorganization to result in 20,400,000 ordinary shares issued and outstanding prior to completion of this offering and similar to stock split. The Company believes it is appropriate to reflect stock split on a retroactive basis pursuant to ASC 260. The Company has retroactively restated all shares and per share data for all periods presented. As a result, the Company had 100,000,000 authorized shares, par value of US\$0.0005, of which 20,400,000 and 20,400,000 were issued and outstanding as of December 31, 2020 and 2019, respectively.

On February 10, 2021, the Company closed its initial public offering ("IPO") of 6,000,000 ordinary shares at a public offering price of US\$5.00 per ordinary share. On March 2, 2021, Univest Securities, LLC, the representative of the underwriters in the IPO exercised in full its option to purchase an additional 900,000 ordinary shares at a price of \$5.00. Gross proceeds of the Company's IPO, including the proceeds from the sale of the over-allotment shares, totaled \$34.5 million, before deducting underwriting discounts and other related expenses.

On March 18, 2021, the Company entered into a securities purchase agreement (the "Securities Purchase Agreement") with two investors, including a wholly-owned subsidiary of Ebang International Holdings Inc. (Nasdaq: EBON) for an investment of US\$10 million. Pursuant to the Securities Purchase Agreement and an exemption from registration requirements of Section 5 of the Securities Act of 1933, as amended (the "Securities Act") contained in Regulation S promulgated under the Securities Act, the Company issued an aggregate of 1,960,784 units to the investors, with each unit consisting of one ordinary share of the Company, par value \$0.0005 per share (the "Ordinary Shares") and a warrant to purchase one half of one Ordinary Share at an exercise price of \$5.61 per Ordinary Share (subject to adjustment).

As of December 31, 2021 and 2020, the Company had issued and outstanding ordinary shares of 29,260,784 and 20,400,000, respectively.

### Cash dividends

On December 31, 2018, the Company's Board of Directors approved a resolution to declare cash dividends of \$7,269,978 (RMB 50,000,000) to its shareholders.

During the year ended December 31, 2021, 2020 and 2019, the Company paid dividends of \$2,170,273, \$nil, and \$4,052,802 to its shareholders. As of December 31, 2021 and 2020, the Company had dividends payable of \$1,255,375 (RMB 8,000,000) and \$3,371,648 (RMB 22,000,000), respectively. The Company does not intend to pay dividends payable out of the proceeds from its initial public offering. From January 1, 2022 through the date of this report, the Company paid dividends of \$470,765 (RMB 3,000,000) to the shareholders. The Company plans to pay the remaining balance of dividend payable of \$784,610 (RMB 5,000,000) out of the retained earnings balance before June 30, 2022.

### Restricted net assets

The Company's ability to pay dividends is primarily dependent on the Company receiving distributions of funds from its subsidiaries. Relevant PRC statutory laws and regulations permit payments of dividends by Beijing Baosheng and its subsidiaries only out of its retained earnings, if any, as determined in accordance with PRC accounting standards and regulations and after it has met the PRC requirements for appropriation to statutory reserves. Paid in capital of the PRC subsidiaries included in the Company's consolidated net assets are also non-distributable for dividend purposes. The results of operations reflected in the accompanying consolidated financial statements prepared in accordance with U.S. GAAP differ from those reflected in the statutory financial statements of Beijing Baosheng and its subsidiaries. The Company is required to set aside at least 10% of their after-tax profits each year, if any, to fund certain statutory reserve funds until such reserve funds reach 50% of its registered capital. In addition, the Company may allocate a portion of its after-tax profits based on PRC accounting standards to enterprise expansion fund and staff bonus and welfare fund at its discretion. The statutory reserve funds and the discretionary funds are not distributable as cash dividends.

## 15. EQUITY (CONTINUED)

As of December 31, 2021 and 2020, the Company's PRC profit generating subsidiaries accrued statutory reserve funds of \$898,133 and \$898,133, respectively.

In the litigation process of a Contractual Dispute (see Note 17 Contingencies), pursuant to the Freezing Order, Beijing Baosheng's assets in the amount of RMB47.7 million were ordered to be frozen, including 100% of the equity interests in Horgos Baosheng and Kashi Baosheng. In addition to the above mentioned restricted on the paid-in capital and statutory reserve funds of PRC subsidiaries, the retained earnings of Horgos Baosheng and Kashi Baosheng are also restricted from payment of dividends.

As of December 31, 2021 and 2020, the Company had net assets restricted in the aggregate, which include paid-in capital and statutory reserve of the Company's PRC subsidiaries, and retained earnings of Horgos Baosheng and Kashi Baosheng, of \$63,209,808 and \$39,296,855, respectively.

## 16. RELATED PARTY TRANSACTIONS AND BALANCES

### 1) Nature of relationships with related parties

Name	Relationship with the Company
EJAM GROUP Co., Ltd. ("EJAM Group")	Indirectly hold a 6.8% equity interest in the Company
Pubang Landscape Architecture (HK) Company Limited ("Pubang Hong Kong")	Indirectly hold a 20.5% equity interest in the Company
Horgos Zhijiantiancheng	Controlled by EJAM Group
Guangzhou Yijiantiancheng Technology Co., Ltd. ("Guangzhou Yijiantiancheng")	Controlled by EJAM Group
Horgos Meitui Network Technology Co., Ltd. ("Horgos Meitui")	Controlled by EJAM Group, and was disposed of by EJAM Group on March 24, 2020
Ms. Wenxiu Zhong	Chairperson of the Board of Directors, CEO and indirect equity shareholder of the Company
Anruitai Investment Limited ("Anruitai")	90% owned by Ms. Wenxiu Zhong and 10% owned by Mr. Sheng Gong, the Director and indirect equity shareholder of the Company

### 2) Transactions with related parties

	For the Years Ended December 31,		
	2021	2020	2019
<b>Gross billing from a related party</b>			
Horgos Zhijiantiancheng	\$ 83,909	\$ -	\$ -
Guangzhou Yijiantiancheng	8,743	-	-
	<u>\$ 92,652</u>	<u>\$ -</u>	<u>\$ -</u>
<b>Services purchased from related parties</b>			
Horgos Zhijiantiancheng	\$ 11,298,397	\$ -	\$ -
Horgos Meitui	\$ -	\$ -	\$ 8,530
<b>Rental fees charged by a related party</b>			
EJAM Group (a)	\$ -	\$ -	\$ 120,284

(a) On October 1, 2017, the Company entered into an office rental agreement with EJAM Group with a monthly rental fee of approximately \$40,000 (RMB 293,349). The lease agreement expired on March 31, 2019.

**16. RELATED PARTY TRANSACTIONS AND BALANCES (CONTINUED)**

3) *Balances with related parties*

As of December 31, 2021 and 2020, the balances due from related parties were as follows:

	December 31, 2021	December 31, 2020
<b>Media deposits</b>		
Horgos Zhijiantiancheng (a)	\$ 1,426,419	\$ —
<b>Prepayments</b>		
Horgos Zhijiantiancheng (a)	\$ 2,361,779	\$ —
<b>Due from related parties</b>		
Ms. Wenxiu Zhong (b)	\$ 1,720,102	\$ —
Anruitai Investment Limited	28,667	—
	<u>\$ 1,748,769</u>	<u>\$ —</u>

(a) Horgos Zhijiantiancheng is both a media and advertiser with the Company. For the year ended December 31, 2021, the Company provided services to Horgos Zhijiantiancheng and paid media deposits with Horgos Zhijiantiancheng.

(b) As of December 31, 2021, the Company had amount due from Ms. Wenxiu Zhong of \$1,734,604 with the amount due to Ms. Wenxiu Zhong of \$14,502 being net off on the consolidated balance sheet. In connection with the lawsuit case filed by Ms. Chen Chen in June 2019 (Note 17), Ms. Wenxiu Zhong promised to unconditionally, irrevocably and personally bear all the potential economic expenses and losses arising from the Equity Ownership Dispute and the Contract Dispute. On February 8, 2022, the final judgment was enforced by the court with a total of RMB10,917,701 (approximately \$1,713,225) applied to the satisfaction of such judgment and the payment in full of the related fees and expenses. Accordingly, Beijing Baosheng requested Ms. Wenxiu Zhong to perform her obligations under the Guarantee Letter by reimbursing Beijing Baosheng's litigation costs, including, but not limited to, the amount of damages imposed by the courts, court expenses, and attorney fees. As of December 31, 2021, the Company recorded a receivable of RMB11,053,940, (\$1,734,604) due from Ms. Wenxiu Zhong. As of March 7, 2022, Ms. Wenxiu Zhong has fully settled such balance by making cash payments in aggregate amount of RMB11,053,940 (\$1,734,604).

As of December 31, 2021 and 2020, the balances due to related parties were as follows:

	December 31, 2021	December 31, 2020
<b>Other payable</b>		
EJAM GROUP	\$ —	\$ 74,330
Pubang Hong Kong (a)	—	626,628
Wenxiu Zhong	—	14,588
	<u>\$ —</u>	<u>\$ 715,546</u>

(a) As of December 31, 2020, the balance of \$626,628 represents the third party services and consulting fees that were paid by Pubang Hong Kong on behalf of the Company. The Company has fully repaid the outstanding balance subsequently in March 2021.

## 17. CONTINGENCIES

In the normal course of business, the Company is subject to loss contingencies, such as certain legal proceedings, claims and disputes. The Company records a liability for such loss contingencies when the likelihood of an unfavorable outcome is probable and the amount of loss can be reasonably estimated.

On April 16, 2019, Ms. Chen Chen filed a lawsuit in a court in Beijing against Beijing Baosheng, with Baosheng Hong Kong named as third party in the complaint, requesting to be recognized as a 5% equity interest holder in Beijing Baosheng pursuant to an equity ownership agreement Ms. Chen Chen previously entered into with Beijing Baosheng on March 17, 2016 (the “Equity Ownership Agreement”) (the “Equity Ownership Dispute”). Ms. Chen Chen claimed that she had satisfied the conditions set forth in the Equity Ownership Agreement and was accordingly entitled to the 5% equity interest in Beijing Baosheng. Ms. Chen Chen sought to be recognized as 5% equity interest holder in Beijing Baosheng and receive such equity interest, and to be compensated for litigation related expenses. On June 2, 2020, Ms. Chen Chen voluntarily filed a motion to withdraw this case. On June 16, 2020, the court granted the motion.

In addition, in June 2019, Ms. Chen Chen filed another lawsuit in a court in Beijing against Beijing Baosheng (the “Contractual Dispute”), seeking to terminate the Equity Ownership Agreement compensation in the amount of RMB47.65 million (\$6,838,404), representing the fair market value of the 5% equity interest in Beijing Baosheng to which she claimed title, and for any litigation related expenses. On July 30, 2021, the court issued a judgment ruling that the Equity Ownership Agreement was terminated on October 16, 2020 and requiring Beijing Baosheng to compensate Ms. Chen Chen RMB). 10,739,877 (approximately \$1,685,321). Both parties have appealed the ruling to an intermediate court. On January 12, 2022, Beijing Baosheng received a final judgment from the intermediate court, upholding the original judgment issued on July 30, 2021. According to the original judgment, Beijing Baosheng is required to pay the plaintiff RMB10,739,877 (approximately \$1,685,321) and court expenses of RMB71,421 (approximately \$11,207). Through a guarantee letter dated April 2, 2020 (the “Guarantee Letter”), Ms. Wenxiu Zhong, Chairperson of the Board of Directors and CEO, promised to unconditionally, irrevocably and personally bear all the potential economic expenses and losses arising from the Equity Ownership Dispute and the Contract Dispute. On February 8, 2022, the final judgment was enforced by the court with a total of RMB10,917,701 (approximately \$1,713,225) being withdrawn from one of the frozen bank accounts of Beijing Baosheng, the bank account at Bank of Hangzhou, which was unfrozen afterwards, and which amount was applied to the satisfaction of such judgment and the payment in full of the related fees and expenses. Accordingly, Beijing Baosheng requested Ms. Wenxiu Zhong to perform her obligations under the Guarantee Letter by reimbursing Beijing Baosheng’s litigation costs, including, but not limited to, the amount of damages imposed by the courts, court expenses, and attorney fees. As of March 7, 2022, as promised by the Guarantee Letter, Ms. Wenxiu Zhong has made the payment in cash of RMB11,053,940 (approximately \$1,734,604) to Beijing Baosheng. Such payment made by Ms. Wenxiu Zhong includes the amount paid to Ms. Chen Chen as ordered by the courts plus interest as well as the court expense, attorney fee, and court enforcement fee.

Further, Ms. Chen Chen filed a labor dispute case against Horgos Baosheng, Beijing Branch with the Beijing Shijingshan District Labor Dispute Arbitration Committee (the “Committee”) on the grounds that her previous employment with Horgos Baosheng, Beijing Branch was wrongfully terminated. Ms. Chen Chen sought compensation for her lost pay, lost benefits, and litigation related expenses, and award of punitive damages. The Committee issued a judgment on August 23, 2019, ruling in favor of Ms. Chen Chen and granted her damages in the sum of RMB424,161 (approximately \$60,000). Horgos Baosheng, Beijing Branch appealed the case to a court in Beijing in December 2019. On April 23, 2020, the court issued a final judgment that upheld the previous ruling. As a result, the Company will compensate Ms. Chen Chen a total of RMB424,161 (approximately \$60,000). As of December 31, 2019, the Company recorded RMB424,161 (approximately \$60,873) as a component of accrued expenses and other liabilities related to litigation contingencies, respectively, which has been settled on May 28, 2020.

## 17. CONTINGENCIES (CONTINUED)

As of December 31, 2021 and 2020, the 100% equity interests in Horgos Baosheng and Kashi Baosheng held by Beijing Baosheng, and the bank accounts of Beijing Baosheng with a total balance of \$4,131,313 and \$3,695,598, respectively, were frozen by Beijing Haidian Court. As of December 31, 2021, the net assets of Horgos Baosheng and Kashi Baosheng were \$27,210,992 and \$2,804,996, accounting for 36.7% and 3.8% of the total consolidated net assets, respectively. As of December 31, 2020, the net assets of Horgos Baosheng and Kashi Baosheng were \$30,374,610 and \$4,724,081, accounting for 72.9% and 11.3% of the total consolidated net assets, respectively. For the year ended December 31, 2021, Horgos Baosheng and Kashi Baosheng generated limited revenues, and incurred net losses of \$3,163,618 and \$1,919,085, accounting for 46.9% and 28.4% of the total net loss, respectively. For the year ended December 31, 2020, Horgos Baosheng and Kashi Baosheng generated net income of \$4,359,495 and \$1,550,197, accounting for 62.7% and 22.3% of the total net income, respectively. For the year ended December 31, 2019, Horgos Baosheng and Kashi Baosheng generated net income of \$13,287,065 and \$223,285, accounting for 118.9% and 2.0% of the total net income, respectively. The frozen bank balance was reclassified as restricted cash as of December 31, 2021 and 2020.

With the final judgement was enforced by the Court on February 8, 2022, as confirmed by Beijing Baosheng's PRC counsel, Beijing Dacheng Law Offices, LLP, the Freezing Order (including the freezing of Beijing Baosheng's equity interests in Horgos Baosheng and Kashi Baosheng) will be reversed and all of the impacted assets will be unfrozen, accordingly. As of the date of this annual report, three out of the four Beijing Baosheng's frozen accounts have been unfrozen and the unfreezing procedure for the remaining one account is still in progress, which is expected to be completed by the end of July 2022. Additionally, the unfreezing procedure related to Beijing Baosheng's equity interests in Horgos Baosheng and Kashi Baosheng is still in progress. The Company expects that the impacted equity interests will be unfrozen upon the expiration date in August 2022.

## 18. SUBSEQUENT EVENTS

On February 1, 2022, the Company received a written notification from the Nasdaq Stock Market LLC notifying the Company that it was not in compliance with the Nasdaq Marketplace Rule 5550(a)(2) (the "Minimum Bid Price Rule"), pursuant to which if the closing bid price of the ordinary shares is not equal to or greater than \$1.00 for 30 consecutive business days, Nasdaq will send a deficiency notice to the Company. Thereafter, if the ordinary shares do not close at a minimum bid price of \$1.00 or more for 10 consecutive business days within 180 calendar days of the deficiency notice, Nasdaq may determine to delist the ordinary shares. The Company was provided 180 calendar days, or until August 1, 2022, to regain compliance.

To regain compliance with the Minimum Bid Price Rule by August 1, 2022, the Board of Directors proposed a share consolidation at a ratio of one-for-three and one fifth (3.2) ordinary shares with a par value of US\$0.0005 each in the Company's issued and unissued share capital into one ordinary share with a par value of US\$0.0016 ("Share Consolidation"). Immediately following the Share Consolidation, the authorized share capital of the Company will be US\$50,000 divided into 31,250,000 ordinary shares of a par value US\$0.0016 each. The proposal was approved in the Annual General Meeting of the Shareholders held on April 28, 2022. On May 11, 2022, the Board of Directors resolved that the Share Consolidation shall be scheduled to become effective on May 24, 2022, or such other date as any director or officer of the Company shall determine, and shall be reflected with the Nasdaq Stock Market and in the marketplace under the new CUSIP number at the opening of business on May 25, 2022 (the Effective Date), or such other date and time as any director or officer of the Company shall determine, whereupon the ordinary shares begin trading on a split-adjusted basis.

On April 2, 2022, the Company, through Baosheng Network, set up a wholly owned subsidiary, Beijing Xunhuo E-commerce Co., Ltd. ("Beijing Xunhuo"), which is primarily engaged in live stream business. Beijing Xunhuo was registered with registered capital of approximately \$157,000 (RMB 1.0 million). As of the date of this report, the Company fully paid up the capital.

On May 5, 2022, the Company purchased six properties, through an online auction platform, from a third party which went into liquidation at cash consideration of approximately RMB8.18 million, or \$1.27 million. These six properties are expected to be used for the live streaming business. As of the date of this report, the Company fully paid the consideration.

These consolidated financial statements were approved by management and available for issuance on May 16, 2022, and the Company has evaluated subsequent events through this date.

**19. CONDENSED FINANCIAL INFORMATION OF THE PARENT COMPANY ONLY**

The subsidiaries did not pay any dividend to the parent company for the periods presented. For the purpose of presenting parent only financial information, the parent company records its investment in its subsidiary under the equity method of accounting. Such investment is presented on the separate condensed balance sheets of the parent company as “Investment in subsidiaries” and the income or loss of the subsidiaries is presented as “Equity in (loss) gain of subsidiaries”. Certain information and footnote disclosures generally included in financial statements prepared in accordance with U.S. GAAP have been condensed and omitted.

The parent company did not have significant capital and other commitments, long-term obligations, or guarantees as of December 31, 2021 and 2020.

The following is the condensed financial information of the Company on a parent company only basis.

**Condensed balance sheets**

	December 31, 2021	December 31, 2020
<b>ASSETS</b>		
<b>Current Assets</b>		
Cash and cash equivalents	\$ 1,607,807	\$ 27
Due from related parties	28,667	—
Other current assets	24,902	1,290
<b>Total Current Assets</b>	<b>1,661,376</b>	<b>1,317</b>
Investments in subsidiaries	28,517,348	36,844,746
Amounts due from subsidiaries	43,908,651	4,823,017
<b>Total Assets</b>	<b>\$ 74,087,375</b>	<b>\$ 41,669,080</b>
<b>LIABILITIES AND SHAREHOLDERS' EQUITY</b>		
<b>Current Liabilities</b>		
Due to related parties	\$ 8,170	\$ 8,219
Warrant liabilities	2,744	—
Accrued expenses and other liabilities	15,172	—
<b>Total Liabilities</b>	<b>26,086</b>	<b>8,219</b>
<b>Commitments and Contingencies</b>		
<b>Shareholders' Equity</b>		
Ordinary Share (par value \$0.0005 per share, 100,000,000 shares authorized; 29,260,784 and 20,400,000 shares issued and outstanding at December 31, 2021 and 2020, respectively)	14,630	10,200
Additional paid-in capital	41,564,519	3,814,665
Retained earnings	29,894,597	36,642,050
Accumulated other comprehensive income	2,587,543	1,193,946
<b>Total Shareholders' Equity</b>	<b>74,061,289</b>	<b>41,660,861</b>
<b>Total Liabilities and Shareholders' Equity</b>	<b>\$ 74,087,375</b>	<b>\$ 41,669,080</b>

*Condensed statements of comprehensive (loss) income*

	For the Years Ended December 31,		
	2021	2020	2019
Revenues	\$ —	\$ —	\$ —
Cost of revenues	—	—	—
<b>Gross profit</b>	<b>—</b>	<b>—</b>	<b>—</b>
<b>Operating Expenses</b>			
General and administrative expenses	(787,744)	(3,197)	(195,119)
<b>Loss from Operations</b>	<b>(787,744)</b>	<b>(3,197)</b>	<b>(195,119)</b>
Equity in (loss) gain of subsidiaries	\$ (8,327,398)	\$ 6,947,862	\$ 11,369,695
Interest income	57	26	—
Changes in fair value of warrant liabilities	2,367,632	—	—
<b>Net (Loss) Income Before Income Taxes</b>	<b>\$ (6,747,453)</b>	<b>\$ 6,944,691</b>	<b>\$ 11,174,576</b>
Income tax expense	—	—	—
<b>Net (Loss) Income</b>	<b>\$ (6,747,453)</b>	<b>\$ 6,944,691</b>	<b>\$ 11,174,576</b>
<b>Other Comprehensive Income (Loss)</b>			
Foreign currency translation adjustment	1,393,597	2,531,676	(333,548)
<b>Comprehensive (Loss) Income</b>	<b>\$ (5,353,856)</b>	<b>\$ 9,476,367</b>	<b>\$ 10,841,028</b>

*Condensed statements of cash flows*

	For the Years Ended December 31,		
	2021	2020	2019
<b>Cash Flows from Operating Activities:</b>			
<b>Net Cash (Used in) Provided by Operating Activities</b>	<b>\$ (824,929)</b>	<b>\$ 26</b>	<b>\$ —</b>
<b>Cash Flows from Investing Activities:</b>			
Loans made to subsidiaries	(38,300,000)	—	—
<b>Net Cash Used in Investing Activities</b>	<b>(38,300,000)</b>	<b>—</b>	<b>—</b>
<b>Cash Flows from Financing Activities:</b>			
Capital injection from shareholders	—	—	1
Issuance of ordinary shares pursuant to initial public offering, net of issuance costs	26,597,919	—	—
Issuance of ordinary shares pursuant to over-allotment, net of issuance costs	4,154,987	—	—
Issuance of units pursuant to a private placement, net of issuance costs	9,852,486	—	—
<b>Net Cash Provided by Financing Activities</b>	<b>40,605,392</b>	<b>—</b>	<b>1</b>
Effect of exchange rate changes on cash and cash equivalents	127,317	—	—
Net increase in cash and cash equivalents	1,607,780	26	1
Cash and cash equivalents at beginning of year	27	1	—
<b>Cash and cash equivalents at end of year</b>	<b>\$ 1,607,807</b>	<b>\$ 27</b>	<b>\$ 1</b>

**Service Contract of [T3 Travel Effect Delivery Agency Framework]**

Project name: [T3 Travel Effect Delivery Agency Framework]

Party A: Nanjing Lingxing Technology Co., Ltd.

Party D: [Beijing Baosheng Network Technology Co., Ltd.]

Signed on: [September 5, 2021]

Signed at: [Jiangning District, Nanjing]

Service Contract of [T3 Travel Effect Delivery Agency Framework]

Party A: Nanjing Lingxing Technology Co., Ltd.

Address: F18, Building A1, Jiulonghu International Enterprise Headquarters Park, No. 19 Suyuan Avenue, Jiangning District, Nanjing

Party D: Beijing Baosheng Network Technology Co., Ltd.

Address: F15, Block B, Yonghe Building, No. 28 Andingmen East Street, Dongcheng District, Beijing

In accordance with the provisions of the Civil Code of the People's Republic of China and relevant laws and regulations, both parties agree to sign the Contract for mutual compliance through full and friendly negotiation between both parties.

**1.0 Definition**

- 1.1 T3 Travel Platform: Refers to the travel platform that provides users with online taxi booking services and other related services. The platform operator/service provider is Nanjing Lingxing Technology Co., Ltd. (or its designated affiliated company), including but not limited to "T3 Travel" mobile phone software, wap, WeChat applet and other software/website platforms.
- 1.2 T3 Travel: Refers to Nanjing Lingxing Technology Co., Ltd. or its affiliated company.
- 1.3 Users: Refer to consumers who have registered on and signed agreements with T3 Travel Platform, and received platform services.
- 1.4 Online car-hailing services: Refer to the service platforms based on internet technology that integrate supply and demand information and allow qualified vehicles and drivers to provide booking non-cruise tax rental services.
- 1.5 Affiliated company: Refer to the subject that is directly or indirectly controlled by any legal entity, the subject controls, or is jointly controlled with the subject. "Control" refers to more than 50% of voting shares directly or indirectly held or controlled.
- 1.6 Peer companies: Refer to any other brand and entities under the brand that engage in or plan to provide competitive products or engage in competitive business other than T3 Travel and/or its designated/authorized affiliated company. For the purposes of the Agreement, peer companies include but are not limited to all

companies and their affiliated companies at home and abroad using travel businesses of "DIDI", "Baidu", "Amapauto", "Shouqi Limousine & Chauffeur", "Yidao", "Uber (China)", "China Auto Rental", "UCAR", "Dida Chuxing", "CAOCAO", "edaijia", "Meituan.com", "Dingding Yueche", "letzgo", "M-GO", "ttyongche", "saicmobility", Ontime, wsecar, hellobike, Ctrip, LY.COM and other brands.

## **2.0 Cooperation contents**

2.1 Party A entrusts Party D to provide Party A with professional services in terms of [effect delivery], that is, [headline information flow delivery] (hereinafter referred to as [effect delivery service]) for the promotion of its brand. See Technical Requirements for the content description and time arrangement of [effect delivery service]. If there is any additional cooperation between both parties except the products agreed in this Article during the term of the Contract, both parties shall sign a supplementary agreement to confirm it.

## **3.0 Price and payment**

3.1 [Party D shall deliver according to the order confirmed by Party A after approval] The specific final settlement shall be subject to the amount actually incurred in the framework and confirmed by Party A's designated email. After the delivery, Party D shall submit the acceptance materials on time (including but not limited to PPT for effect resumption, line screenshots of some point location, consumption reconciliation table, screenshots of delivery backstage, etc.). After being accepted by Party A, Party D shall first issue a compliant and valid VAT invoice with a tax rate of 6%, and Party A shall make the payment within 30 working days after receiving the correct VAT invoice. If the service provided by Party D fails to be accepted by Party A, and/or the invoice issuance is delayed or incorrect, Party A shall not bear any liability for breach of contract due to delay in payment. If Party D issues invoices before the final acceptance date of Party A without Party A's notice, the payment date shall start from the final acceptance date of Party A. The total amount includes but is not limited to material costs, labor costs, transportation costs, taxes and other related expenses.

### **3.2 Mode of payment:**

Party A shall pay the above fees to the following designated accounts of Party D by bank transfer or telegraphic transfer:

Account name: Beijing Baosheng Network Technology Co., Ltd.

Opening bank: Beijing Shijingshan Wenchuang Sub-branch of Bank of Hangzhou Co., Ltd.

Bank account number:

Party A's billing information is as follows:

Name: Nanjing Lingxing Technology Co., Ltd.

Taxpayer identification number:

Address and tel:

Opening bank and account number:

### 3. Rights and obligations of both parties

#### 3.3 Rights and obligations of Party A

4.1.1 Party A shall make a payment to Party D in accordance with the Contract.

4.1.2 Party A has the right to supervise the services provided by Party D, put forward opinions and requirements, and designate a special person to put forward suggestions, opinions or instructions on the services provided by Party D.

4.1.3 Party A shall cooperate with the services provided by Party D as agreed herein and provide Party D with necessary materials and information.

4.1.4 If Party D's project implementation effect fails to meet Party A's requirements and expectations, Party A has the right to deduct money according to the annex list involved in the activity effect.

4.1.5 Party A guarantees that the activities it requires Party D to carry out do not contain any illegal contents (such as yellow and reactionary information contents and contents prohibited by the state, etc.) and meet the requirements of relevant laws, regulations and rules and regulations.

#### 3.4 Rights and obligations of Party D

4.2.1 Party D shall organize a capable team to complete the investigation, survey, planning, preparation, reporting, production and other related work of the project within the time stipulated herein.

- 4.2.2 Party D shall be responsible for the planning and implementation of all the service contents involved herein. If the specific implementation plan has been agreed in the annexes, it shall be implemented according to the specific implementation plan of the annexes; if it is not agreed in the annexes or Party A makes adjustments according to the actual needs, Party D shall confirm the specific activity budget with Party A and provide specific implementation plans, which shall be strictly implemented after being reviewed and confirmed by Party A.
- 4.2.3 Party D shall deliver the service items and/or deliverables that meet the requirements to Party A on schedule as agreed in herein. Party A has the right to provide rectification or change opinions to Party D at any time when the Contract is performed, and Party D shall give timely feedback and cooperate with adjustment.
- 4.2.4 Party D shall be responsible for the publicity of the effect delivery during the cooperation period, and shall be responsible for the accuracy, validity and completeness of the materials or information provided by Party D, so as to complete the work described herein in a timely and accurate manner.
- 4.2.5 During the implementation of each sub-project, if the actual implementation situation is changed, Party D shall obtain the written consent and confirmation email from Party A, otherwise Party A has the right to refuse to pay relevant money. Without written confirmation by Party A in the form of seal, Party D shall not increase any expenses for any reason; at the same time, Party A's personnel (including any personnel of Party A) have no right to confirm Party D's increase in fees by mail or in writing on behalf of Party A and the confirmation of any additional fees; fee optimization or reduction of Party D is not subject to this restriction.
- 4.2.6 The Contract signed between Party D and any third party shall not affect Party D's performance of relevant obligations to Party A.

## **5.0 Delivery and acceptance**

5.1 Party D shall provide Party A with the following reports:

- 5.1.1 Periodic reports from time to time (Party A may require Party D to provide corresponding reports according to the specific conditions of the project); Party A has the right to put forward the implementation opinions to Party D through authorized email within 7 working days after receiving the report, which does not include the changes in the acceptance standards originally agreed by both parties.

Party D shall make rectification according to Party A's requirements and time limit, and provide a report again.

5.1.2 Final report after completion of the project.

5.2 After all the projects are fulfilled, Party D shall provide the final report to Party A. Party A has the right to put forward final acceptance opinions to Party D after receiving the final report provided by Party D. If Party A fails to pass the acceptance, Party D shall make a rectification according to Party A's requirements and time limit, and provide a report again. If Party A still fails to pass the acceptance, it has the right to refuse to pay relevant expenses.

5.3 Both parties recognize the acceptance criteria of Party D's services shall be subject to the detailed technical requirements of specific projects agreed in the annexes hereto, the contents of authorized emails of both parties during the performance of the Contract, and the orders issued by Party A before the commencement of each project. Before each delivery, Party D shall confirm and deliver according to the order confirmed by Party A after approval. The order shall include clear standards for acceptance. If Party D thinks it unreasonable, it may refuse to deliver. At the same time, both parties terminate the Contract and do not bear the liability for breach of contract; if Party D delivers it, it shall be deemed to agree on Party A's order requirements. If Party D's assessment is D according to the requirements of the order or the annexes, or a single order fails to be accepted, Party A may refuse to pay the fees for the corresponding order, and may unilaterally notify Party D to terminate the Contract without any liability for breach of contract.

## **6.0 Representations and warranties**

Both parties represent and warrant that

- 6.1 They have the right to enter into the Agreement and has all the rights, authorizations and permissions necessary to enter into and fully perform the Contract;
- 6.2 Their performance of the Agreement will not violate any contractual clauses, obligations, laws, regulations or decrees that they are bound upon;
- 6.3 There is no claim, lien or lawsuit against or endangering the other party, which will affect the rights of the other party under the Agreement;
- 6.4 Their performance of the Agreement does not infringe upon the intellectual property rights of any third party;
- 6.5 They provide considerate and skilled services in accordance with the relevant requirements of the Agreement;

6.6 Notwithstanding the above agreement, if there is a special agreement in the clause, the special agreement shall prevail.

#### **7.0 Liability for breach of contract**

7.1 If one party violates the representations and warranties mentioned in Article 6.0, the other party shall have the right to terminate the Contract unilaterally without liability for breach of contract.

7.2 The observant party has the right to investigate the direct and indirect economic losses of the delinquent party, including but not limited to notary fees, appraisal fees, evaluation fees, attorney fees, legal fees, preservation fees, travel expenses, accommodation fees, etc., and related legal liabilities.

7.3 In addition to force majeure and Party D's breach of contract, if Party A makes the overdue payment due to its own reasons, it shall pay Party D three over ten thousand of the unpaid amount as liquidated damages every day.

7.4 In addition to force majeure and Party A's breach of contract, If Party D fails to provide Party A with services and/or materials that meet the requirements of the Contract within the time agreed herein, Party A has the right to refuse to pay all the contract fees to Party D. If Party A has paid or partially paid the said fees, Party D agrees to refund all the fees paid by Party A and pay Party A liquidated damages equivalent to 30% of the total contract fees, which is reasonable and not based on Party A's actual losses. If the aforesaid liquidated damages cannot make up for the losses caused to Party A's company by Party D's breach of contract, Party D shall also compensate Party A additional losses.

7.5 Party D shall ensure the provision of safe and reliable services. In case of personal or property injuries caused by articles or equipment set up by Party D or personnel hired by Party D, Party D shall be responsible for settlement and compensation. Party D shall be liable for any loss caused to Party A (including Party A's affiliated company) or any third party due to the articles or equipment set up by Party D or the personnel hired by Party D.

7.6 If something wrong with the services hereunder due to Party D, or Party D causes adverse effects or losses to Party A during or due to the performance of the Contract, and the services or deliverables provided by Party D infringe upon the legitimate rights and interests of any third party, Party D shall immediately take remedial measures at the first time or within the time required by Party A, and the expenses incurred and the losses incurred by Party A shall be borne by Party D.

#### **8.0 Confidentiality clauses**

- 8.1 Confidential information such as technical secrets and business secrets (hereinafter collectively referred to as "Confidential Information") obtained by both parties from each other (including its branches, holding companies, joint ventures and affiliated company) in the process of signing and performing the Contract shall be kept confidential. The technical secrets include but are not limited to the work progress, technical scheme, engineering design, circuit design, manufacturing method, formula, process flow, technical index, computer software, database, research and development records, technical reports, test reports, inspection reports, experimental data, test results, drawings, samples, prototypes, models, molds, operation manuals, technical documents, related correspondence, etc. Business secrets include but are not limited to the negotiation between both parties, any documents signed, including all information contained in contracts, agreements, memorandums and other documents, customer lists, marketing plans, procurement materials, pricing policies, financial materials, purchase channels, information about legal affair, information about human resources, etc. Confidential information also includes user information obtained by both parties during the performance of the Contract ("users" include individual users and enterprise users).
- 8.2 During the validity period of the Contract or at any time after the termination of the Contract, without the written consent of the other party, either party shall use or disclose, sell, lease, transfer, license or share with a third party any confidential information of the other party, whether oral or written, or in the form of disk, film or electronic parts, except for the purpose of performing the Contract. Either party has the obligation to protect the confidential information by no less than the means taken to protect its own business secrets. Either party may disclose the confidential information only for the purposes of the Contract to its employees who have the necessary knowledge of the confidential information, but at the same time instruct their employees to comply with the confidentiality obligations stipulated in this Article. Personal information and important data obtained by either party according to law during the signing and performance of the Contract shall be stored in China according to law and shall not be provided overseas.
- 8.3 Unless otherwise agreed, this confidentiality clause continues to be valid.

## **9.0 Intellectual property rights**

- 9.1 If Party A provides Party D with materials required for marketing activities, including but not limited to videos, audio, pictures, texts, data, etc., Party A guarantees that the contents of such materials will not infringe upon the legitimate rights and interests of any third party. The provision of materials by Party A to Party D does not mean the transfer of any rights., including but not limited to video, audio,

pictures, text, data, etc. provided by Party A, and the contents produced by Party D with this material or for the purpose of the Contract; all intellectual property rights and other rights and interests shall belong to Party A.

9.2 Party D guarantees that the materials provided by Party D to Party A and the contents produced for the purpose of the Contract, including but not limited to videos, audio, pictures, texts, data, etc., will not infringe upon the legitimate rights and interests of any third party, and shall be responsible for the accuracy, validity and completeness of the materials or information provided by Party D.

9.3 In case of infringement complaints and compensation caused by the materials or achievements provided by either party, the provider shall be responsible for solving them and ensuring that the recipient is exempted from liability.

**10.0 Notice and delivery**

10.1 Any notice in connection with the Contract shall be given to the designated contact person to the designated address or authorized email according to the information described in the following table:

Name of Party A	Nanjing Lingxing Technology Co., Ltd.	Contact person	Liang Meng/Wang Zhuzhu
Tel	13581589454/15062255445	Authorized email	
Designated address			
Name of Party D	Beijing Baosheng Network Technology Co., Ltd.	Contact person	Gong Sheng
Tel		Authorized email	
Designated address	F15, Block B, Yonghe Building, No. 28 Andingmen East Street, Dongcheng District, Beijing		

The designated address shall also apply to the legal address at which any legal

documents shall be legally served during the execution of any judicial proceedings arising from disputes hereunder.

10.2 Unless otherwise agreed herein, any notice, requirement or request shall be submitted or made in writing, stamped with official seal, sent to the designated address by registered or express mail, or sent by authorized email.

10.3 The time when a notice or communication is deemed to be delivered. If it is delivered by e-mail, the entry time displayed in the transmission record or on the computer shall prevail; if it is delivered by personal service (including express mail delivery), the date of receipt shall prevail; if it is delivered by registered mail, seven days from the date of receipt issued by the post office shall prevail.

10.4 Information change. If either party changes the above information, it shall inform the other party 3 working days in advance in the above-mentioned agreed manner; otherwise, if it fails to receive the written documents such as notice, reply, request or request sent by the other party, which affects the performance of the Contract or causes losses, the other party shall bear the relevant consequences.

#### **11.0 Entry into force, alteration and termination of the Contract**

11.1 The Contract shall come into force after both parties affix the special seal for contract, and shall be valid from [August 27, 2021] to [August 26, 2022].

11.2 The modification of the Contract must be agreed by both parties through consultation, and a supplementary contract must be signed.

11.3 If one party materially breaches its obligations under the Agreement and fails to correct the breach within [10] days after being notified of the breach, such breach includes but is not limited to: (1) fraudulent means in the cooperation between both parties or seriously affecting the reputation of the other party due to its behavior; (2) when one party commits an act that damages the image and/or interests of the other party. The observant party shall have the right to terminate the Contract by sending a written notice to the delinquent party [10] days in advance, and the observant party shall not take any responsibility and shall reserve the right to investigate the legal liability of the delinquent party.

11.4 The Agreement may be terminated by the other party at any time by written notice to the other party if one party has serious business crisis, operational difficulties or bankruptcy or company liquidation proceedings.

11.5 Due to the adjustment of business strategy and the change of national policy, Party A has the right to notify Party D in writing [30] days in advance to

terminate the Contract, and does not have to bear the liability for breach of contract.

#### **12.0 Network security and data security**

12.1 If both parties agree that in performing their obligations hereunder, or accept the products or services hereunder, they shall abide by applicable laws and regulations on data and privacy protection. In particular, both parties should ensure that sufficient consent, authorization and permission under applicable laws and regulations are obtained and maintained to ensure that the processing behavior (if any) of the user's personal information hereunder complies with the applicable laws and has obtained clear authorization (if necessary), including collection, storage, use and processing of the user's personal data and information; otherwise, the responsibilities and losses arising therefrom shall be borne by the party itself. Both parties confirm that they are personal information controllers for the personal information (if any) shared by the data provider to the data recipient hereunder, and shall bear the relevant responsibilities of the information controllers for their respective processing behaviors according to law. Both parties shall establish appropriate data security capabilities in accordance with relevant laws, regulations and standards, and take necessary management and technical measures to ensure network security and data security. If either party discovers security loopholes or data security risk events during cooperation, it shall immediately notify the other party in writing and take corresponding measures in accordance with the law.

#### **13.0 Applicable law and dispute resolution**

13.1 Applicable law. The conclusion, validity, interpretation, performance and dispute settlement of the Contract and its annexes shall be governed by the relevant provisions of the laws and regulations of the People's Republic of China in effect at the time of signing the Contract.

13.2 Dispute resolution. Both parties shall settle all disputes arising from the interpretation and execution of the Contract and in connection with the Contract through friendly negotiation. If no agreement can be reached through negotiation, both parties agree to bring a lawsuit to the People's Court with jurisdiction in Jiangning District of Nanjing. During the proceedings, the remainder of the Contract shall continue to be performed except for the part that must be solved in the course of the proceedings.

#### **14.0 Miscellaneous**

- 14.1 Contract composition and validity order. Both parties know that the Contract and the following documents constitute a complete contract: (1) General Terms and Conditions for Procurement of Product and Services of Nanjing Lingxing Technology Co., Ltd. and its Affiliated Company (hereinafter referred to as "General Terms and Conditions"; (2) Specific Contract (i.e. the Contract); (3) Annex to the Specific Contract. In case of any conflict between the above documents, the validity order is as follows: (1) Quantity, price, payment and delivery clauses in the Annex to the Specific Contract; (2) General Terms and Conditions; (3) The remaining clauses in the Specific Contract.
- 14.2 Force majeure
- 14.2.1 Force majeure refers to the following events: War, disturbance, plague, serious fire, flood, earthquake, storm or other natural disasters, and all other events that both parties hereto cannot foresee, prevent or avoid or overcome.
- 14.2.2 If either party is unable to perform all or part of its obligations hereunder due to force majeure, it shall notify the other party as soon as possible, and shall provide the other party with certificates issued by relevant departments, detailed reports and explanations of the impact of force majeure on the performance of the Contract in writing within a reasonable period after the occurrence of force majeure.
- 14.2.3 In case of force majeure, either party shall be liable for any loss suffered by the other party due to the failure or delay in performing its obligations hereunder due to force majeure. However, the party affected by force majeure shall be responsible for taking appropriate or necessary measures to reduce or eliminate the impact of force majeure as soon as possible. The party affected by force majeure shall bear the related losses caused by failure to fulfill the responsibility.
- 14.2.4 Both parties shall decide whether to terminate the Contract or continue to perform the Contract according to the degree of influence of force majeure on the performance of the Contract through negotiation.
- 14.3 In view of the fact that both parties have input a lot of cooperation resources and energy in cooperation, in order to protect the innovative intellectual property rights invested by Party A in this cooperation project, Party D promises that Party D and its affiliated company (except Party A and/or its designated/authorized affiliated company) will not cooperate with peer

companies in inter-bank businesses or serve peer companies in inter-bank businesses in any other way (whether paid or unpaid) during the cooperation period. If Party D plans to cooperate with peer companies as agreed in this Article, both parties agree that the cooperation shall be carried out through consultation in advance and the interests of both parties shall not be harmed; otherwise, Party A has the right to unilaterally terminate the Agreement. For the avoidance of doubt, inter-bank businesses refer to other businesses of the same kind, similar or competitive with the cooperation businesses hereunder.

- 14.4 Nothing herein shall be deemed or construed as a joint venture, partnership or agency relationship between both parties.
- 14.5 After the termination of the Contract, the intellectual property clauses, confidentiality clauses, liability clauses for breach of contract, dispute resolution clauses and other clauses that should take effect for a long time will continue to be valid and unaffected.
- 14.6 The Contract supersedes all previous oral or written minutes, memoranda and contracts of both parties on specific matters hereunder.
- 14.7 The Contract is made in quadruplicate, with two copies held by both parties respectively, which has the same legal effect.
- 14.8 The Contract consists of main body and annexes. The annexes to the Contract are:

Annex 1: Technical Requirements of Supplier Procurement Project for Effectiveness Delivery from 2021 to 2022

Annex 2: General Terms and Conditions for Procurement of T3 Travel Products and Services-PGTC-01

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Party A:  
(Seal)  
Date: MM DD, YY

Party B: Beijing Baosheng Network Technology Co., Ltd.  
(Seal)  
Date: MM DD, YY

## **Supplementary Agreement to Service Contract of [T3 Travel Effect Delivery Agency Framework]**

Party A: Nanjing Lingxing Technology Co., Ltd.

Address: F18, Building A1, Jiulonghu International Enterprise Headquarters Park, No. 19 Suyuan Avenue, Jiangning District, Nanjing

Party D: Beijing Baosheng Network Technology Co., Ltd.

Address: F15, Block B, Yonghe Building, No. 28 Andingmen East Street, Dongcheng District, Beijing

[On August 27, 2021], both parties signed a service contract with the contract names of [NJLXKJ-GG-Beijing Baosheng Technology 20210825] and [T3 Travel Effect Delivery Agency Framework] (hereinafter referred to as "Original Contract"). After friendly negotiation, both parties have reached the following supplementary agreement (hereinafter referred to as "the Agreement") for mutual compliance:

1.0 The agency policy in Article 2.1 of the Original Contract is amended as follows:

Headline information flow agency policy: 2.5%

The rebate is direct cash rebate (except for brand hard advertisement), that is,  $1 \text{ million} * (1-2.5\%) = 975,000$  for payment.

Note: If the rebate policy involves the New Year, no adjustment will be specified.

2.0 The Supplementary Agreement and the Original Contract previously concluded by both parties constitute a unified whole, and jointly adjust and bind the rights and obligations of both parties in this cooperation project. For matters explicitly agreed in herein, the legal effect of its clauses shall prevail over that of the Original Contract, and for matters not explicitly agreed herein, the Original Contract shall apply.

3.0 The Agreement shall come into force after being sealed by the authorized representatives of both parties, be attached to the Original Contract as an annex, and be terminated with the expiration of the validity of the Original Contract.

4.0 The Contract is made in quadruplicate, with two copies held by both parties respectively, which has the same legal effect.

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Party A:

(Seal)

Date: MM DD, YY

Party D: Beijing Baosheng Network Technology Co.,  
Ltd.

(Seal)

Date: MM DD, YY

# Advertising Agency Agreement

Contract No.: CONT20211204579953

**Party A: [Toutiao (Xiamen) Technology Co., Ltd.]**

Company address: [3F-A282, Zone C, Innovation Building, Software Park, Xiamen Torch Development Zone for High Technology Industries]

Contact person: [Qi Shenghai]

Tel.:

Common contact email:

Mailing address: [2F Small Post Office, ZTE Building, No.19, Huayuan East Road, Haidian District, Beijing (ByteDance)]

(The email address agreed in this Agreement or the email address with the confirmation suffix of @bytedance.com is the valid email address for Party A to send and receive notices)

**Party B 1: [Beijing Baosheng Technology Co., Ltd.]**

Company address: [Room 901, 9F, Block B, Jinqiu International Building, No.6, Zhichun Road, Haidian District, Beijing]

Contact person: [Li Cheng]

Tel.:

Common contact email:

Mailing address: [15F, Block B, Yonghe Building, No.28, Andingmen East Street, Dongcheng District, Beijing]

(The email address agreed in this Agreement or the email address with the confirmation suffix of @bsacme.com is the valid email address for Party B to send and receive notices)

**Party B 2: [Beijing Baosheng Network Technology Co., Ltd.]**

Company address: [Room A-2252, 2/F, Building 3, Courtyard 30, Shixing Street, Shijingshan District, Beijing (Cluster Registration)]

Contact person: [Li Cheng]

Tel.:

Common contact email:

Mailing address: [15F, Block B, Yonghe Building, No.28, Andingmen East Street, Dongcheng District, Beijing]

(The email address agreed in this Agreement or the email address with the confirmation suffix of @bsacme.com is the valid email address for Party B to send and receive notices)

Beijing Baosheng Technology Co., Ltd. and Beijing Baosheng Network Technology Co., Ltd. are collectively referred to as Party B under this Agreement, and Beijing Baosheng Technology Co., Ltd. and Beijing Baosheng Network Technology Co., Ltd. are jointly and severally liable to Party A for the performance of this Agreement.

In accordance with the current effective laws, regulations, rules and national standards of the People's Republic of China, Party A and Party B have signed this Agreement through friendly negotiation on the data promotion services entrusted by Party B to customers represented by Party B. **The Agreement on Data Promotion Services of Ocean Engine confirmed by Party B (website: <https://ad.oceanengine.com/overture/account/agreement/>, hereinafter referred to as "Online Agreement") and other relevant agreements, platform rules, service usage rules, notices and other contents that Party A may issue on data promotion services of Ocean Engine are all integral parts of this Agreement. Party A has the right to update the aforesaid agreements, rules, notices and contents from time to time, and will notify Party B by means of website announcement, system station letter, email, phone or letter service, etc. Such notices shall be deemed to have been served to Party B and shall be binding on Party B when they are announced or sent.**

## Part I Terms of Business

### Article I Matters of Cooperation and Definitions

1. Party B entrusts Party A to provide data promotion services for Party B in accordance with this Agreement, and therefore pays Party A the agreed data promotion expenses. Party A authorizes Party B to be a comprehensive agent in the whole country except for the sole agency scope, automobile manufacturers, automobile dealers and real estate developers (Party A has the right to unilaterally adjust and change the agency scope and term of Party B, subject to Party A's notice). During the agency term, Party B can only represent the data promotion services within the scope authorized by Party A, and cannot have customer conflicts with Party A's exclusive agents involved in the business in this area. Regardless of the formation or existence of any legal relationship between Party B and its represented customers, Party B shall sign corresponding agreements with its customers in its own name and directly enjoy rights and obligations as parties to the agreements. Party B shall also clearly agree with its customers on their respective work scope, specific service items and service standards. Party B shall not refuse to perform this Agreement for any reason between Party B and its represented customers. In case of any dispute arising from Party B's violation of the agreement signed with its represented customers or unclear agreement with its represented customers, Party B shall settle it with its represented customers by itself.
2. Data promotion platform: refers to the Ocean Engine platform legally operated by Party A or its affiliated companies and the subsequently added platform for providing specific types of data promotion services (Party B can represent the data promotion service business corresponding to this newly added platform only after being authorized and confirmed by Party A in writing). It can provide data promotion, cost statistics, data query, analysis, material management and other services (subject to the services actually provided by each platform).
3. Platform rules: refer to various normative documents that have been published or may be published in the future on the data promotion platform or related platforms added later, including but not limited to relevant rules, standards, notices, announcements, etc. that Party B needs to abide by when using related services under this Agreement.

4. The term “Party B’s products” or “products” referred to in this Agreement refers to the goods, services or other legal publicity objects produced or sold by Party B or the customers represented by Party B, and Party B enjoys the legal rights required for data promotion, including but not limited to copyright, trademark rights, portrait rights, etc.
5. Party B can select, set up or operate according to the rules and guidelines of the data promotion platform. Party B can also display its content materials on relevant pages, interfaces or locations such as client applications, websites, applets and other partner network platforms (hereinafter referred to as “traffic network platform”) of Party A’s affiliated companies through the data promotion services provided by Party A in other ways (email confirmation by both parties, etc.) agreed in this Agreement, or use and enjoy corresponding services and functions.
6. The “data promotion service” referred to in this Agreement may include one or a combination of the following methods:
  - (1) Publish advertisements for Party B’s products in the form of pictures, texts, videos and audio on the traffic network platform;
  - (2) Party B shall provide the content of describing, introducing or promoting Party B’s products, which is mainly expressed in words, and publish it on the traffic network platform;
  - (3) Party B shall provide the network/download link address and publish it on the traffic network platform. Users of the traffic network platform can jump to the corresponding page to view or use specific services and products or download APP products by clicking the link. Party B shall ensure the legality of the landing page pointed to by the jump link and the content and qualification of the downloaded products;
  - (4) Paid search services to promote goods, services or other publicity objects;
  - (5) Other data promotion services that can be used to promote Party B’s products.
7. Promotional content/Content material: refers to the keyword information and website information submitted by Party B or its represented customers, and the information contents designed and produced by Party B or its represented customers or commissioned by others according to law, which are used to display the brand of Party B or its represented customers, and the information content of products and services produced or authorized to be sold by Party B or its represented customers, including but not limited to pictures, text, video, audio, music, flash, live broadcast, etc. The content material includes the landing page itself.
8. Landing page: refers to the page pointed by the link contained in the content material, that is, the page that the user jumps to or redirects after clicking on the content material.
9. Self-made programs and specific activities: refer to videos, film and television dramas, variety shows, sports events or live and live evenings that are shot, produced and produced by Party A and/or its affiliated companies or by an entrusted third party which has the right to implant commercial content.

## **Article II Cooperation Period**

1. The cooperation period between Party A and Party B is from [January 1, 2022 to December 31, 2022]. After the expiration of the above cooperation period, the data promotion service under this Agreement

will be terminated. If this Agreement is dissolved or terminated in advance, the above cooperation period will end until the date of early dissolution/termination. If Party B's data promotion account still has cash balance (referred to as "cash balance") which is prepaid and recharged but has not been launched after the expiration of the above cooperation and Party B chooses to continue to use it, the cash balance can only be used for bidding data promotion and can be postponed until the date when the cash balance is used up. During the extension period, the data promotion shall still be implemented in accordance with this Agreement, unless otherwise agreed by both parties. After the expiration of the above cooperation, Party B shall not renew the fee and recharge under this Agreement, except consume the aforesaid cash balance. However, the consumption generated after January 1, 2023 shall not be used for rebate accounting corresponding to this Agreement and/or supplementary agreements and other documents signed by both parties.

2. If there is any prepaid unconsumed cash balance in Party B's data promotion account before the signing of this Agreement, Party B confirms that the aforesaid prepaid unconsumed cash balance will be transferred to this Agreement and implemented in accordance with this Agreement from the cooperation start date agreed in this Agreement.
3. If there is still available grant amount in the data promotion account of the represented customer of Party B after the expiration of this Agreement, the relevant grant amount can continue to be used for data promotion launch and consumption before the expiration period displayed on the platform. The data promotion during the consumption period of the grant amount should still be implemented according to this Agreement, and the grant amount shall not be applied for refund or transferred to the data promotion account of a third party or other represented customer.
4. After the expiration of the cooperation period of this Agreement, other non-cash amounts in Party B's data promotion account except the grant amount shall not be used for data promotion launch and consumption. If the non-cash amount in Party B's data promotion account is still put in and consumed by data promotion, Party B agrees and guarantees to pay Party A the data promotion expenses corresponding to the consumed non-cash amount according to this Agreement.

#### Article III Data Promotion Mode

1. Non-bidding data promotion: includes but is not limited to CPT , CPM guaranteed advertisement, CPV guaranteed advertisement, special project resource package and other non-standard resources; for non-bidding data promotion, the *Data Promotion Order* (hereinafter referred to as the "order") signed by Party A and Party B before data promotion or confirmed by the valid mailbox and data promotion platform agreed in this Agreement shall prevail, and the specific time, location and price of data promotion shall be determined. If Party B issues an order through email or data promotion platform, the order shall be regarded as the true intention of Party B and have legal effect and binding force on Party B. The order shall take effect after Party A confirms it through the valid email or data promotion platform agreed in this Agreement.

**Party B knows and confirms that Party A will log in to the data promotion background by itself or by entrusting a third party, to check the accounts with Party B and its represented customers, and**

**carry out corresponding operations according to the order agreement, and confirm relevant online agreements and rules on behalf of Party B for the use of some functions, so as to realize the non-bidding data promotion and launch.**

During the cooperation period of this Agreement, if Party B changes the effective order, it shall notify Party A 30 days in advance and the change shall be confirmed by Party A, and both parties shall sign or confirm the changed order separately in accordance with the aforesaid agreed manner; otherwise, it will be deemed that the order has not been changed, and both parties will still execute and settle according to the effective order before the change.

2. Bidding data promotion: includes but is not limited to CPM (oCPM) (charging according to advertisement display), CPC (charging according to advertisement click) and other bidding launch. Party B shall promote the data by online bidding according to the rules of data promotion platform and delivery operation guidelines.
3. **Party B knows and confirms that: If Party B has selected the preferred media or preferred scene on the data promotion platform, Party B's promotional contents will be mainly launched according to the media or scene selected by Party B. At the same time, in order to provide better data promotion services for Party B, the data promotion platform may optimize the content and format of Party B's promotional contents and intelligently expand and launch it to other traffic scenarios. For the purpose of optimizing data promotion services, the data promotion platform will adjust the size and format requirements of content materials, launch location and form, data promotion modes, etc. from time to time.**
4. **Party B knows and confirms that no matter what data promotion method is adopted, Party A will not make any express or implied commitment to the promotion effect of Party B's use of the services under this Agreement and the sales volume, operating performance and investment income of Party B's products.**

#### Article IV Data Promotion Expenses

1. Billing method

According to the specific way of data promotion agreed by Party A and Party B, Party B shall settle accounts and pay expenses to Party A in corresponding billing methods (including CPT, CPM, CPC, CPM, etc.); billing currency: RMB.

2. Payment period

(i) For bidding data promotion of Party B, Party B shall pay Party A the data promotion expenses within the agreed period as follows:

Pay before data promotion (i.e., prepay). Party B shall pay the promotion expenses to Party A before data promotion. With each natural month as a settlement cycle, both parties shall timely calculate the promotion expenses incurred in the previous cycle in each settlement cycle, and Party A shall timely provide Party B with the invoices of equal value after receiving the sealed order or *Data*

*Promotion Settlement Statement* issued by Party B.

(i) For non-**bidding** data promotion of Party B, Party B shall pay Party A shall pay the data promotion expenses to Party A within the agreed period as follows:

Pay before data promotion (i.e., prepay). Party B shall pay the promotion expenses to Party A before data promotion. With each natural month as a settlement cycle, both parties shall timely calculate the promotion expenses incurred in the previous cycle in each settlement cycle, and Party A shall timely provide Party B with the invoices of equal value after receiving the sealed order or *Data Promotion Settlement Statement* issued by Party B.

3. When Party B adopts non-prepaid payment, even if the payment period has not expired, as long as Party A has reasonable reasons to think that Party B is about to lose or has lost the ability to pay or has the risk of overdue payment, Party A has the right to suspend Party B's data promotion and require Party B to pay the expenses immediately, and at the same time, Party A has the right to change Party B's payment method from "consume before pay" mode to "prepay" or require Party B to pay a certain amount of deposit.
4. Type of invoice: the items that Party A can issue are promotion expenses/ advertising release expenses/ advertising expenses, and the types of invoices that Party A can issue for Party B are special VAT invoice/ordinary VAT invoice.
5. Party B shall pay by bank transfer, and Party A does not accept other payment methods. The settlement currency is RMB. The information of Party A's receiving bank account is as follows:  
Party A's account name: [Toutiao (Xiamen) Technology Co., Ltd.]  
Bank of deposit:  
Bank account number:

#### **Article V Cooperation Policy**

1. **Party B confirms that during the cooperation period, Party A has the right to set relevant assessment indicators on Party B's data promotion every quarter (the specific information shall be subject to the notice separately issued by Party A by email). At the beginning of each quarter, Party A shall assess the completion and cumulative completion of relevant assessment indicators of Party B in the previous quarter and before. If any assessment indicators of Party B are not completed, Party A has the right to terminate this Agreement immediately without bearing any liability for breach of contract/compensation.**
2. During the cooperation period of this Agreement, Party B applies to Party A for and confirms the data promotion and distribution policy or return policy approved by Party A through the valid mailbox agreed in this Agreement (hereinafter collectively referred to as the "annual frame policy", including but not limited to the policy content, actual implementation of the policy, deposit and other related contents), and the contents of the annual frame policy confirmed by Party B in the aforesaid way are the true intention of Party B and have legal effect and binding force on Party B. If a written agreement is signed separately

on the annual frame policy, it shall be implemented in accordance with the written agreement.

## **Part II General Terms**

### **Article I Protection of User's Personal Information**

Under this Agreement, both parties shall handle the user's personal information in accordance with the requirements of relevant laws and regulations. The data provider promises that the data provided for the receiver complies with the laws and regulations and has obtained the authorization and consent of the relevant personal information subject, and there is no infringement of the legitimate rights and interests of any third party. The data receiver promises to protect the safety of personal information in a way that meets the requirements of relevant laws and regulations and necessary measures, and handle relevant personal information according to the provisions of laws and regulations, the aforesaid authorization consent of the personal information subject and the agreement in this Agreement.

### **Article II Account Number of Data Promotion Platform**

1. The accounts registered and opened by Party B and all customers represented by Party B on the data promotion platform are limited to Party B and its authorized subjects. Without the written consent of Party A, Party B is prohibited from donating, borrowing, renting, assigning or selling the accounts in any form.
2. Party B shall properly keep the account number and password registered and opened on the data promotion platform, maintain the security and confidentiality of the account number and password, and bear all legal liabilities for activities and behaviors in the name of Party B's account number (including but not limited to online signing of agreements or data promotion, etc.). If the account number is stolen or the password is lost due to Party B's improper custody or other force majeure factors, Party B shall bear the responsibility by itself. In case of losing the account number or forgetting the password, Party B can appeal and request to retrieve the account number or password in time according to the appeal channels of Party A or the data promotion platform. Party B understands and recognizes that in the password retrieval mechanism of Party A or the data promotion platform, it is only necessary to identify the consistency between the information filled in the complaint form and the information recorded in the system, but it is impossible to identify whether the complainant is a real authorized user of the account.
3. Party B understands and agrees that in order to ensure the security of the account and the legitimate rights and interests of Party B, if Party B's account has not been logged in and used for a certain period of time, Party A has the right to re-verify the identity of the login party of Party B's account according to the operation process of the data promotion platform.
4. After the dissolution or termination of this Agreement, Party A shall have the right to close all accounts and account permissions registered and opened by Party B and customers represented by it on the data promotion platform.

### **Article III Submission and Review of Data Promotional Contents**

1. Within the scope specified in this Agreement, the specific data promotional contents shall be subject to

those submitted by Party B to Party A or uploaded to the data promotion platform and accepted after being reviewed by the data promotion platform.

2. According to the data promotion mode, Party B shall submit the content materials in advance according to the standards and sizes of the data promotion platform before data promotion. If Party B wants to change the content of data promotion, it shall also submit the changed content materials in advance according to Party A's requirements, otherwise Party B shall still pay the corresponding data promotion expenses according to this Agreement and bear the consequences caused by the failure to change the content materials in time.
3. The data promotional contents and content materials provided by Party B must be true and legal, shall not be false, shall not deceive or mislead consumers, shall not violate laws, regulations, rules and regulations and public moral standards, shall not be suspected of or constitute unfair competition and infringe upon the legitimate interests of any third party (including but not limited to infringement of intellectual property rights such as copyright, trademark rights and patent rights of others, infringement of personal rights or other legitimate rights and interests of others, etc.), and shall comply with relevant laws, regulations and rules, otherwise Party A has the right to refuse to publish it.
4. Party B guarantees that it will not randomly add application download links, download buttons, download QR codes and other operation portals to guide users to download applications. If Party B needs to add an application download link or other operation entry to guide users to download, Party B shall obtain confirmation from Party A in advance and upload relevant application information through the application management center designated by Party A, add download links in the way allowed by Party A or the data promotion platform, and express five-element information (application name, version information, developer name, permission information and privacy policy) to users. There shall be no inconsistency between the content materials and relevant application information or other misleading or inducing users to download, otherwise, Party A shall have the right to reject Party B's data promotion requirements, immediately take the content materials being launched offline and require Party B to bear the corresponding liabilities specified in this Agreement.
5. Party A will review the data promotional contents and content materials submitted by Party B according to relevant laws, regulations, rules and regulations and the rules of the data promotion platform.
6. Party A's review and final launch shall not reduce Party B's responsibility to guarantee the authenticity and legality of the promotional contents, relevant qualifications and sales and promoted products. Party B shall bear all legal responsibilities for any disputes, demands and disputes caused by Party B's data promotional contents or sales and promoted products. If Party A and/or its affiliated companies suffer any losses (including but not limited to any third-party claims, compensation paid in advance or penalties imposed by state organs, etc.), Party B shall fully compensate Party A and/or its affiliated companies for all losses thus suffered. At that time, Party B shall not refuse to bear the liability for compensation according to this Agreement because the promotional contents and/or content materials and relevant qualifications have been reviewed, launched by Party A/data promotion platform or provided by other third parties.
7. Whether it is within the scope of Party A's review responsibility or not, once Party A finds that Party B's

data promotional contents or sales and promoted products are prohibited by relevant laws and regulations or will probably lead to illegal and violation risks, or there are serious violations of public order and good customs, or when Party B, its represented customers and/or related personnel thereof (including but not limited to senior executives and spokespersons of Party B and/or its represented customers) are reported to have illegal, negative events or other improper behaviors and investigated by the competent authorities, Party A shall have the right to immediately suspend the launch and require Party B to make modifications within 2 natural days after receiving the written notice from Party A. Before Party B makes modifications according to Party A's requirements, Party A shall have the right to refuse to publish the data promotional contents, and Party A does not have to bear the liability for breach of contract for the delay of data promotion and publication caused by this. If Party B refuses to modify or delays in modifying the data promotional contents, which affects the normal development of Party A's data promotion business, Party A shall be entitled to unilaterally terminate this Agreement or require Party B to pay the corresponding data promotion expenses during the delayed release period.

8. Party B shall examine the promotional contents to be released by itself with the high duty of care that professionals can fulfill, so as to avoid any illegal situation in the promotional contents and content materials as much as possible.
9. If Party A receives investigation by the competent authority or receives complaints from a third party due to Party B's data promotional contents and/or content materials, sales and promoted products, etc., or if Party B or its represented customers complain to other third parties, Party B shall agree Party A to provide the information of Party B's cooperation under this Agreement, including but not limited to the company's subject information and data promotion information, to the competent authorities or third parties, and Party B shall cooperate to solve the above investigations, complaints and disputes. If a third party complains that Party B's promotional contents infringe its legal rights, Party B shall provide counter-notice and preliminary evidence according to Party A's requirements to prove that it does not constitute infringement, and Party A has the right to provide relevant qualification and other certification documents provided by Party B to the third party. If Party B refuses to provide evidence or provides insufficient evidence to prove that it does not constitute infringement, Party A has the right to terminate this Agreement or suspend the launch and require Party B to pay liquidated damages of RMB 30,000 or at 20% of the data promotion expenses (whichever is higher) for the content materials/products complained of infringement. If the liquidated damages are insufficient to make up for Party A's losses, Party B shall make compensation continuously.
10. In order to optimize and provide data promotion services that are more in line with market demand, Party B authorizes Party A or Party A's related parties to have the right to migrate the data promotion platform accounts and/or related data in the accounts among various data promotion platforms, so as to achieve the purpose of providing data promotion services.
11. For the purpose of verifying and ensuring the service quality provided by Party B to its represented customers, Party B authorizes Party A to have the right to provide Party B's subject identity, operation and information related to data promotion to Party A's affiliated companies or related operating platforms of affiliated companies for viewing and analysis.

#### Article IV Data Statistics

1. Party A and Party B confirm that all data under this Agreement (including but not limited to data promotion information, release time, page views, clicks, etc.) shall be counted by Party A and used as the basis for settlement. Party A guarantees that the statistical data are objective and true.

During the implementation of this Agreement, every data promotion period is taken as the cycle. If Party B has any objection to Party A's agreement performance (including data promotion implementation), Party B shall clearly submit the objection to Party A in written form (valid in the form of email, accompanied by corresponding materials: such as webpage copying) within 5 natural days after the end of the data promotion period. If Party B fails to raise an objection in the above written form within the above objection period, Party B shall be deemed to have no objection to data promotion, implementation and corresponding expenses.

2. Party B can only monitor and count the data promotion services supported by Party A and the data promotion types and resources opened by Party A in accordance with this Agreement and the order/scheduling agreement, Party B and the third-party statistical agency entrusted by Party B in accordance with this Agreement shall strictly keep confidential the information obtained in the process of data statistics and monitoring, and promise to implement necessary management measures and technical means not lower than the overall level of the industry to protect the security of information and data, and shall not use the learned information for purposes other than those agreed in the contract.
3. For non-bidding data promotion:
  - (1) Party B can choose to entrust a third-party statistical agency notified by Party A to conduct data statistics.
  - (2) Based on the data issued by Party A, if the difference between the statistical data of the third-party statistical agency entrusted by Party B and the data of Party A does not exceed 10% (including 10%), the data of the third-party statistical agency may prevail; if the difference exceeds 10%, Party A and Party B shall review the data together with the third-party statistical agency and correct the error according to the facts. If it is confirmed that Party A's data is incorrect, the data of the third-party statistical agency may prevail; if it cannot be confirmed that Party A's data is incorrect, Party A's data shall prevail. If no agreement can be reached, the dispute settlement method agreed in this Agreement shall be followed.
  - (3) Party A has the right to unilaterally adjust, reduce or change the third-party statistical agencies and notify Party B in advance. Only when Party B entrusts the corresponding third-party statistical agencies according to Party A's latest notice can the error of non-bidding data promotion data be implemented according to the previous clause. If Party B chooses a third-party statistical agency other than the third-party statistical agency agreed in this Agreement (subject to Party A's latest notice) for monitoring and data statistics, the statistical data will be invalid unless Party A agrees in writing.
  - (4) In the above data review, both parties confirm that they do not recognize and support the settlement and investigation rules of "synchronous click monitoring", "frequency", "TA%" and "ivt" data of third-party statistical agencies, and the rules of Party A shall prevail.

- (5) If Party B builds its own monitoring link to conduct data statistics for non-bidding promotion, Party B confirms that all data under this Agreement shall be subject to Party A's statistical data.
4. For bidding data promotion, Party B may choose to entrust a third-party statistical agency or build a self-built monitoring link to conduct data statistics, but all data under this Agreement shall be subject to Party A's statistical data.

**Article V Liability for Breach of Contract, Exemption Clause and Special Provisions**

1. Party B shall pay Party A data promotion expenses (including the deposit, if any) according to the time and amount specified in this Agreement. Where Party B fails to pay the expenses in full and on time as agreed, it shall pay overdue fine at 3% of the total expenses in arrears for each overdue day until the arrears are paid off. Party A shall have the right to directly deduct the unpaid data promotion expenses and overdue fine from the balance of the data promotion account of Party B (including the cash balance, rebate amount, etc.). Meanwhile, Party A shall be entitled to partially or completely suspend Party B's data promotion demand from the overdue date without bearing any liability for breach of contract. Where Party B delays to pay the data promotion expenses in full for 15 days, Party A shall have the right to terminate Party B's data promotion without bearing any liability for breach of contract.
2. In case of any breach of contract by Party B as follows, it shall still pay the corresponding data promotion expenses in full according to this Agreement, and Party A shall have the right to unilaterally terminate this Agreement and require Party B to compensate it and/or its affiliated companies for all losses caused thereby:
  - (1) Fail to pay the data promotion expenses in full for 15 days without justified reasons;
  - (2) Violate the confidentiality requirements under this Agreement and/or user's personal information protection requirements to transfer, copy, spread, assign or license Party A's business secrets, software, data and other information, or otherwise disclose the aforesaid information, allow others to use the information or provide others with the information for use, or engage in any commercial or business activities;
  - (3) The data promotional contents and/or the sales and promoted products submitted by Party B are prohibited by law or will probably lead to violations of law, or seriously violate public order and good customs, or Party B, its represented customers and/or related personnel thereof (including but not limited to senior executives and spokespersons of Party B and/or its represented customers) have any illegal or negative event or any other improper behavior which is reported and investigated by the competent authority, and Party B still fails to make corrections upon receiving a notice from Party A;
  - (4) After Party B's link is approved or promoted online, Party B shows any content that violates the current laws, regulations and rules by modifying the page or program content pointed by the link, setting website jump, malicious code or virus, etc.;
  - (5) Party B fails to add download links in the way as agreed in this Agreement or to express the five-element information to users in the added download links, or there is any content material inconsistent with relevant application information, or otherwise misleading or inducing users to

download; or Party B changes any content material arbitrarily without Party A's confirmation, including but not limited to changing the general products originally promoted into the products that can be operated by virtue of special business qualifications, adding or changing the download link, etc.;

- (6) Party B conducts data promotion beyond the agency scope and term specified in this Agreement;
  - (7) Party B and/or its affiliated companies carry out agency or other activities in the name of Party A or its affiliated companies arbitrarily beyond or without the authorization of Party A and its affiliated companies;
  - (8) Party B or customers represented by it provide any content material containing malicious software, spyware or any other malicious code in data promotion, which infringes the legitimate rights and interests of Party A and/or its users;
  - (9) Party B develops subordinate agents;
  - (10) Party B should sign a written contract with its represented customers, but Party B fails to check the legality and authenticity of the subject qualification submitted by its represented customers, and fails to provide Party A with the cooperation contracts signed with its represented customers as required by Party A;
  - (11) Other serious breach of contract that leads to no practical significance for Party A to perform this Agreement.
3. Where Party B cannot prove that it has fulfilled its examination obligations as specified in this Agreement, and the content materials, or sales and promoted products uploaded/submitted or launched by it: (1) infringe the legal rights of any third party; (2) or there is evidence proving that Party B is strongly suspected of the aforementioned infringement; (3) Party A has received real and reasonable complaints (including but not limited to any third party accusing Party A of infringement, bringing a lawsuit against Party A, or reporting to relevant competent authorities by means of complaints, letters, media reports, etc.) because of its content materials or sales and promoted products. Under any of the above circumstances, Party A shall have the right to terminate the agreement or suspend the launch and require Party B to pay liquidated damages of RMB 30,000 or at 20% of the corresponding data promotion expenses for the content materials/products (whichever is higher). Where the liquidated damages are insufficient to make up for Party A's losses, Party B shall compensate Party A continuously. Any dispute arising from Party B's products shall be resolved by Party B independently and all relevant legal liabilities shall be borne by Party B. Where Party B's infringement or illegal behavior causes Party A to compensate any third party or suffer punishment from any state organ, Party B shall also compensate Party A in full for all losses suffered thereby.
4. Unless otherwise explicitly specified in this Agreement, the data promotion resources under this Agreement can only be used to promote the corporate image, brands, products or services of the customers (i.e., actual providers of the products or services to be promoted) clearly specified in the order signed by both parties, *Data Promotion Schedule* and other documents. Without the prior written consent of Party A, Party B shall not use the data promotion resources under this Agreement to promote the products of any other customer by resale, assignment or any other means. Otherwise, Party A shall be entitled to

immediately stop publishing or refuse to publish the data promotional contents, and Party B shall pay Party A liquidated damages at 20% of the published price of the data promotion resources used in default within 5 working days from the date of written notice from Party A. Meanwhile, Party A shall have the right to terminate this Agreement in advance. If the above liquidated damages are not enough to make up for Party A's losses, Party B shall compensate Party A in full for its losses incurred therefrom.

5. If the cooperation between Party B and the customers represented by it is terminated or the customers represented by Party B make effective complaints about Party B's services (the standards for effective complaints shall be subject to Party A's standards), Party A shall have the right to handle the data promotion account of the customers represented by Party B on its own.
6. Where Party B violates any regulation of the *Management Standards for Ocean Engine Agents* issued by Party A, Party A shall be entitled to take corresponding measures against Party B and/or require Party B to assume corresponding liabilities according to its latest *Management Standards for Ocean Engine Agents*.
7. Under this Agreement, where Party B's breach of contract causes any loss to Party A and/or its affiliated companies, in addition to the liability for breach of contract specified in this Agreement, Party B shall also compensate Party A and/or its affiliated companies for their rights protection expenses incurred to realize their rights, including but not limited to investigation fees, travel expenses, attorney fees, legal costs, preservation fees and preservation guarantee fees (or preservation insurance premiums). Party A shall have the right to directly deduct the liquidated damages, compensations and rights protection expenses payable by Party B from advance payment and the balance of data promotion account of Party B (including the cash balance, rebate amount, etc.), and insufficient part shall still be compensated by Party B continuously.
8. Where Party A delays, interrupts or terminates the data promotion services arbitrarily without justified reasons, it shall explain corresponding reasons to Party B in writing. If the agreed data promotion is not launched at the agreed time due to Party A's fault, Party A shall provide resource compensation for Party B's data promotion on the principle of "making up for the wrong and omitted ones", that is, Party A shall provide Party B with resource compensation of equal value only for the wrong and omitted part in accordance with the above principle, and will not bear any other liability.
9. In case of any breach of contract by Party A as follows, Party B shall have the right to unilaterally terminate this Agreement:
  - (1) Fail to provide data promotion services as agreed within 30 days without justified reasons;
  - (2) Violate confidentiality requirements of this Agreement;
  - (3) Other serious breach of contract that leads to no practical significance for Party B to perform this Agreement.
10. During the cooperation period under this Agreement, if Party B cancels any effective order or the *Data Promotion Schedule*, it shall notify Party A in writing 30 days in advance and be confirmed by Party A in writing. If Party B fails to cancel as agreed above, it will be deemed as Party B's breach of contract (if Party B should pay data promotion expenses before data promotion but it fails to do so, it will be deemed as Party B's breach of contract to cancel the order). Under the circumstances, Party B shall pay Party A

liquidated damages of RMB 30,000 or at 20% of the promotion expenses as agreed in the corresponding order, *Data Promotion Schedule* or other documents (whichever is higher). Party A shall have the right to deduct the aforesaid liquidated damages from Party B's advance payment. In case of no advance payment, Party B shall pay the aforementioned liquidated damages to Party A within 10 working days after the cancellation of data promotion. If the above liquidated damages are insufficient to make up for Party A's losses, Party B shall compensate Party A in full for all the losses caused thereby.

11. Party A shall have the right to examine Party B's promotional contents, sales or promoted products, and information published on the platform. Where Party A finds or suspects that there is any problem with Party B's promotional contents, sales products or information published on the platform, it shall be entitled to issue a notice of inquiry and correction to Party B, or to delete the information, disable the authority and suspend/stop the services under this Agreement, and to deal with the aforementioned behavior of Party B according to platform rules. The specific contents shall be subject to this Agreement and platform rules. Meanwhile, Party A reserves the right to further investigate related responsibilities of Party B.

**12. Exemption clause:**

- (1) In view of the overall interests of the market and business needs, and in order to provide better data promotion services, the adjustments, restrictions, changes or offline of data promotion services, service contents, service modes, layout, page design, etc. under this Agreement arising from the requirements of traffic network platform, data promotion audit and changes of the platform rules, Party A's adjustment, etc. are all reasonable changes. If the data promotion services under this Agreement cannot be provided as agreed or continuously due to the aforesaid adjustments, changes or offline, Party A will not bear any liability for breach of contract.**
- (2) To ensure normal operation of the traffic network platform, Party A shall regularly or irregularly stop to maintain the website when necessary. If the services under this Agreement cannot be provided as agreed due to the aforesaid circumstance, Party A will not bear any liability for breach of contract.**
- (3) In case of any circumstance, including but not limited to the requirements of competent authorities, social public events, media reports or major time nodes, etc., Party A shall have the right to adjust, suspend or terminate the data promotion services under this Agreement at the corresponding time node, without bearing any liability for breach of contract.**
- (4) Where Party A cannot provide data promotion services as agreed under the above three circumstances, it shall provide the affected data promotion services on terms not lower than those agreed by both parties after the end of the circumstances. Where Party A cannot publish or provide services based on the actual situation, both parties shall make a settlement according to the actual data promotion condition.**
- (5) After Party A provides data promotion services as specified in this Agreement, if the promotional contents of Party B cannot be displayed on network terminals such as the computers, mobile phones, etc. of users due to their setting of network terminal devices, client**

applications, websites, applets, etc., or the data promotion services are inconsistent with relevant provisions due to software and hardware devices, network configuration, etc. provided by Party B/customers represented by it, it shall not be a breach of contract by Party A, and Party A will not bear any liability.

- (6) Party B and its employees shall not cause any actual or potential damage to or conflict against the interests, goodwill and brand image of Party A and its employees and affiliated companies, otherwise, Party A shall have the right to terminate this Agreement immediately upon notifying Party B in writing, without bearing any liability for breach of contract, and also be entitled to investigate legal liabilities of Party B and its employees.
  - (7) Party A or any affiliated company authorized by Party A may cite the promotional contents of Party B as a data promotion case for display or participating in appraisal for the purpose of building a creative excellent case base, spreading excellent cases and business needs. Under the circumstances, it is not a breach of contract by Party A, and Party A will not bear any liability.
  - (8) Party A/the data promotion platform may provide Party B with or display to Party B the contents, reference cases, etc. about the design of promotional contents, copywriting, launch strategy, product selection, etc., or gather high-quality creative materials based on product functions for Party B's reference (hereinafter collectively referred to as "reference contents"). Party B knows and confirms that the intellectual property rights of the reference contents are attributed to Party A or the original right holder, and Party B will not use them in any way that infringes the rights and interests of Party A or any third party. The above reference contents are for Party B's reference only, and are not regarded or should not be understood as any permission, authorization, promise and guarantee made by Party A/data promotion platform for the reference contents in part or in whole. Party B shall decide whether to use the reference contents according to its own condition. Party B shall ensure the legality and compliance of its behavior of using the reference contents, and bear corresponding legal consequences by itself.
13. **Limitation of liability:** Where Party A violates any obligation under this Agreement, causing actual losses to Party B, it shall compensate Party B for the directly calculable actual losses, but the maximum amount of liquidated damages and/or compensation paid by Party A shall not exceed 20% of the total amount of the order or data promotion plan involved in the breach of contract.
14. Special provisions on data promotion of self-made programs and specific activities:
- (1) Where Party B displays and promotes content materials and enjoys corresponding rights and interests in Party A's self-made programs and specific activities, the self-made programs and specific activities will reflect the corresponding rights and interests of Party B (the specific rights and interests shall be confirmed by both parties in writing or by email), and the data promotion form shall be subject to the final manifestation in self-made programs and specific activities. After expiration of the data promotion period, Party A shall have the right to take Party B's content materials and rights and interests offline or replace them. Unless otherwise agreed by both parties, all intellectual property rights related to the self-made programs and specific activities shall be attributed to Party A. Without Party A's written consent, Party B shall not use them in other

promotion and launch channels in any form or authorize or assign them to any third party, otherwise, it shall be liable for compensating Party A for all its losses incurred thereby.

- (2) The intellectual property rights of content materials provided by Party B for Party A shall be attributed to Party B or have been legally authorized to Party B. Party B has the right to authorize and hereby irrevocably authorizes Party A and its affiliated companies to use them in programs and specific activities, publicity and promotional activities of the programs and specific activities, and promotional activities of the traffic network platform worldwide, non-exclusively and with the right of sublicensing. Party A and its affiliated companies have the right to modify, copy, adapt, translate, compile or make derivative products of the corresponding contents. Party A shall use the content materials provided by Party B for the purpose agreed by both parties, and shall not abuse or infringe upon the legitimate interests of Party B and belittle Party B's image.
- (3) Party B knows and confirms that any circumstance where Party B's rights and interests cannot be realized due to Party A's reasons or uncontrollable factors by Party A, such as the scheduling adjustment of self-made programs, the failure in broadcasting, the stop or postponement of specific activities, etc., will not be deemed as Party A's breach of contract, and Party A doesn't need to bear any compensation liability to Party B (including but not limited to the compensation for mistakes, omissions and losses, etc.). Both parties shall make a settlement according to the expenses actually incurred for the performed part under this Agreement (including but not limited to the consideration of right and interest resources used by Party B for data promotion). The production cost, etc. actually incurred by Party A shall be handled through negotiation by both parties by signing a supplementary agreement.
- (4) Uncontrollable factors include, but are not limited to the following circumstances: the programs, columns and specific activities involved in the project are not approved or permitted by relevant government approval authorities, or applicable laws, policies or regulatory requirements of the government are changed or adjusted during the cooperation period, or sports events, evening parties, etc. are stopped or postponed due to force majeure, social public events, government requirements or control, etc., and therefore, the programs, columns, specific activities, etc. cannot be put online, are postponed, or still cannot get administrative approval or filing review after modification or postponement, are taken offline, or need changes to the implementation of project contents (including but not limited to the host, actor, guest, director and shooting environment); the program and project scheduling is adjusted due to the broadcasting of major events or news or live programs in Party A's broadcast channel, equipment maintenance, overall revision, etc.
- (5) If any offline activity is involved, Party B shall be responsible for the personal and property safety of personnel and materials of Party B and the customers represented by it, and cooperate with the site management (including but not limited to property, safety, fire control, epidemic prevention, etc.).
- (6) If the cooperation on data promotion of self-made programs and specific activities is suspended or terminated ahead of time due to any reason of Party B or its represented customers, including but not limited to the unauthorized cancellation of cooperation by Party B or its represented customers,

and illegal or negative events or improper behaviors of Party B and its represented customers and/or related personnel thereof (including but not limited to senior managers and spokespersons of Party B and/or its represented customers), and Party A judges that continuing the cooperation will affect the reputation of Party A and/or its affiliated companies, the production costs of self-made programs and specific activities shall be completely borne by Party B, and Party B shall also be liable for compensating Party A for all its losses caused thereby.

15. Special provisions on programmatic PMP advertising: Where both parties carry out cooperation on programmatic PMP advertising, they shall also abide by the provisions of Annex IV *Terms of Cooperation on Programmatic PMP Advertising*.

#### **Article VI Anti-commercial-bribery Clause**

In order to protect the legitimate rights and interests of both parties, ensure that their business transactions conform to the principle of integrity and fair trade, aim at establishing a long-term friendly business partnership between both parties, and promote benign development of their relationship, both parties have come to an agreement as follows through friendly negotiation:

1. Commercial bribery mentioned in this article refers to the behavior that Party B or its employees give or promise any person or induce any person to accept any material and spiritual direct or indirect illegitimate benefit, or ask for or accept the aforesaid benefit from any person, including but not limited to Party A's employees, or influence and/or try to influence any person's behavior or decision in his or her position, or improperly acquire or retain business.
2. Party B or its employees shall not, in the name of Party B or individuals, offer, give or promise any direct or indirect benefit beyond the scope of business cooperation to any employee of Party A, affiliated person or any third party, induce any employee of Party A, affiliated person or any third party to accept the aforesaid benefit, or ask for or accept (in form of presenting or giving in unfair value) the aforesaid benefit, including but not limited to public rebate, hidden rebate, cash, shopping card, material object, negotiable securities, travel, share, dividend, cash gift, present, entertainment ticket, special discount or sample, and travel, catering, entertainment and business cooperation induced benefit or other material and non-material benefits paid by Party B.
3. Conflict of interest referred to in this Agreement includes but is not limited to the following circumstances: (1) Party B or its employees shall not provide a loan in any form for Party A's employees and affiliated persons thereof; (2) If any shareholder, supervisor, manager or senior executive of Party B, any leader of the cooperation project or any project member is an employee of Party A or an affiliated person thereof, the person shall truthfully and comprehensively inform Party A in writing before cooperation and voluntarily evade; (3) During the cooperation, Party B or its employees shall not allow Party A's employees and their spouses to hold or have a third party hold Party B's equity (except for the shares held through the open security exchange market and less than 0.1% of the outstanding equity, held through directly or indirectly holding the fund without actual control right, or held in trust with beneficiaries other than themselves or affiliated persons). Party B shall be obligated to disclose the existing or possible conflicts of interest to Party A in a timely manner, and cooperate with Party A to take measures to

eliminate possible impacts on the cooperation between both parties.

4. Before employing a subcontractor or any other representative, Party B shall conduct due diligence on its own to ensure that the other party is a legitimate and eligible enterprise to provide relevant services. All agreements between Party B and any third party, including but not limited to the subcontractor (no matter whether the subcontractor is selected by Party B or appointed by Party A), supplier, agent or any other independent third party with cooperative relationship with Party B, must contain the representations or guarantees made by the third party, that is, it will not offer or promise any improper benefit to any person, or ask for or accept any improper benefit from any person in order to influence or try to influence the person's behavior or decision, or obtain or retain improper business or other benefits for its company. If the above-mentioned third party and its employees violate the corresponding anti-commercial-bribery clause, imposing an impact on Party A, it will be deemed as the violation of this Agreement by Party B, and Party A shall be entitled to require Party B to bear the liability for breach of contract according to this Agreement.
5. "Party B's employee" in this Agreement refers to: (1) any director, manager or employee of Party B's company; (2) Any director, manager and employee of any subsidiary or related party of Party B; (3) Any direct or indirect shareholder of the company acting in the name of Party B's company, and/or; (4) Any employee of direct or indirect shareholders of the company acting in the name of Party B's company. Party B's employee guarantees that he/she will abide by this Agreement and relevant laws and regulations in all transactions and businesses with Party A according to the contract. Party B shall resist corrupt practices of its employees and/or any third party. Where Party B's employee violates any provision of this Agreement, it will be deemed as the violation by Party B, and Party A shall have the right to require Party B to bear the liability for breach of contract.
6. Party A shall have the right to consult Party B's financial records related to the transactions agreed in the contract by itself or by a professional third party entrusted by it, and collect violation evidence, including but not limited to reviewing relevant financial books, auditing and supervising the data promotion agreements signed with Party B, orders, final statements, payments and related documents, monitoring reports, data promotion evaluation reports and other related data promotion and execution documents, interviewing relevant personnel, etc. Party B shall maintain internal control system to ensure the accuracy of financial statements and information, and reflect all activities and expenses related to the contract in financial records. Party B shall actively assist and cooperate with Party A in the audit and examination, and shall not refuse the audit, conceal any information or provide any false information. If Party B is required by Party A to provide any material during the investigation or audit, it shall actively cooperate with Party A and be responsible for the authenticity of the material provided by it. Within five years after the dissolution or termination of this Contract, Party B shall keep the complete documents of all financial records and information related to this Contract, and Party A shall have the right to copy and save the aforesaid records or documents.
7. Where Party B violates any of the above agreed behaviors or Party A has reasonable grounds to believe that Party B is at risk of violating the above agreed behaviors, including but not limited to Party B's refusal to cooperate with the audit and examination, inaccurate financial records, false statements or

suspected bribery, etc., Party A shall be entitled to unilaterally terminate the contract with Party B in whole or in part, and the contract will be terminated immediately upon Party A sends a notice to Party B. Party B shall bear all liabilities for breach of contract, and simultaneously pay 30% (in the event of a higher proportion in relevant laws and regulations, the higher proportion shall apply) of the total contract amount to Party A as liquidated damages. If the aforesaid liquidated damages are less than RMB 100,000, it shall be subject to RMB 100,000. Party A shall have the right to directly deduct the liquidated damages payable by Party B from the contract amount. For all losses, damages, claims and fines suffered by Party A, Party B shall compensate, defend and protect Party A from damages. If Party B violates the provisions of this Agreement, Party A reserves all rights to investigate direct civil and/or criminal liabilities of Party B and the directly responsible person thereof.

8. If any violation or attempted violation of the anti-commercial-bribery agreement, anti-commercial-bribery and anti-corruption laws and regulations, and Party A's systems is found in business cooperation, and Party A's employees and/or affiliated persons thereof have any illegal and disciplinary behavior that violates the legitimate rights and interests of both parties, such as bribery, embezzlement, asking for benefits, conflict of interests, fraud, disclosure of business secrets, malfeasance, abuse of power, etc., Party B can report to Party A. Party A shall keep confidential any reporting behavior and whistleblower. For the true and effective reporting behaviors and whistleblowers, after the reported incidents are verified, Party A will award the whistleblowers an amount of RMB 10,000-1,000,000 according to relevant system of Party A and the specific situation of the reported incidents.
9. Special email address for reporting and complaints of Party A: jiancha@bytedance.com and clean@bytedance.com.

#### **Article VII Confidentiality and Intellectual Property Rights**

1. Any information of the other party known and understood by one party due to the conclusion and performance of this Agreement shall be proprietary information of the other party. Without the prior written consent of the other party, either party shall keep any proprietary information confidential and shall not disclose it to any person or entity, unless otherwise required for performing the obligations under this Agreement normally or otherwise stipulated by national laws and regulations.
2. Both parties shall be responsible for keeping the specific contents of this Agreement confidential. Without the prior written consent of the other party, either party shall not disclose the cooperation between both parties and the specific contents of this Agreement to any third party.
3. Without the written permission of Party A, Party B and its affiliated companies shall not use the names, trademarks, trade names, brands, domain names and websites of Party A and/or its affiliated companies and traffic network platform in their marketing, business cards, documents, websites, publicity and any other aspect, or disclose the cooperation with Party A, otherwise, it will be deemed as infringement. Under the circumstances, Party A shall be entitled to suspend or terminate this Agreement, require Party B to take remedial measures (including but not limited to stopping use, taking them offline, etc.), announce Party B's breach of contract, and require Party B to compensate Party A and its affiliated companies for all the losses arising therefrom.

4. Party B confirms that Party A, its affiliated companies and the data promotion platform shall have the right to use the enterprise names, trademarks, trade names, brands, signs, logos, domain names and websites of Party B and its affiliated companies in marketing, business cards, documents, websites and publicity.
5. Unless otherwise expressly agreed by both parties, the signing and performance of this Agreement will not lead to the transfer of the original intellectual property rights of the parties concerned.
6. The termination, dissolution, revocation or invalidation of this Agreement will not affect the validity of this confidentiality clause and its binding force on both parties.

## Article VIII Force Majeure and Change of Circumstances

1. Where Party A or Party B delays or fails to perform its obligations in whole or in part due to force majeure or change of circumstances, it shall not be liable for breach of contract, but it shall take measures timely to reduce the losses caused by the force majeure or change of circumstances. Force majeure includes, but is not limited to, government regulation, national policy adjustments, terrorist attacks, hacker attacks, natural disasters, public emergencies, wars, power outages, technical adjustments of telecommunications sector, technical faults and virus intrusion, etc. If the agreement cannot be performed or is delayed in part or in whole due to the aforementioned force majeure events, neither parties shall bear the liability for breach of contract.
2. **The change of circumstances specified in this Agreement is as follows:**
  - (1) **Server termination. Under any of the following circumstances, Party A may suspend providing data promotion services without notifying Party B.**
    - a) **Force majeure caused by non-human factors such as maintenance and overhaul of emergency service equipment, etc.**
    - b) **Failure of basic telecommunication services.**
    - c) **Termination of line services of the platform.**
  - (2) **Under the above circumstances, Party A shall notify Party B within 12 hours after the occurrence.**

**Party A's server is temporarily unable to operate normally due to illegal attack, and still cannot be restored after Party A's great efforts to repair it.**
  - (3) **Other significant changes in objective circumstances that occur after the conclusion of this Agreement, are unforeseeable by the parties concerned when concluding this Agreement, and are not caused by force majeure.**
3. **Where the force majeure event or the change of circumstances lasts for 20 days or more than 30 days accumulatively within the validity period of this Agreement, either party has the right to unilaterally terminate this Agreement in advance by a written notice.**

## Article IX Supplement, Amendment and Termination of Agreement

1. For matters not covered in this Agreement, both parties may sign a written supplementary agreement separately through negotiation. The written supplementary agreement sealed by both parties shall have

the same legal effect as this Agreement. In case of any conflict between the supplementary agreement and this Agreement, the supplementary agreement shall prevail.

2. **During the execution of this Agreement, Party A shall be entitled right to terminate this Agreement by sending a written notice to Party B one month in advance, and Party A will not bear any liability for breach of contract.**
3. No matter whether this Agreement is terminated in advance or not, both parties shall complete the financial settlement and clarify their respective responsibilities. If Party B terminates this Agreement without authorization, causing losses to Party A, it shall compensate Party A for all the losses.
4. Upon expiration, this Agreement may be renewed if both parties reach a consensus and sign a written agreement.
5. If any clause in this Agreement is wholly or partially invalid or unenforceable due to the violation of relevant laws or government regulations or other reasons, it will be deemed as being deleted. However, the deletion of this clause will not affect the legal effect of this Agreement and other clauses.

#### **Article X Promises and Guarantees**

1. Party A guarantees that it has the legal qualification to engage in data promotion and the authority to sign this Agreement. Party B agrees that in case of any change in the business scope or main business of Party A or other reasonable reasons, on the premise of not affecting the rights and obligations of Party B, Party A has the right to assign all its rights and obligations that have not been performed under this Agreement to its affiliated companies at any time with a written notice to Party B. "Affiliated company of Party A" refers to any enterprise that controls or is controlled by Party A, or is controlled by the same entity jointly with Party A. Control means directly or indirectly owning more than fifty percent (50%) of the equity, voting rights or management rights of the enterprise.
2. Party B guarantees that it has the legal authority to promote Party B's products and sign this Agreement. Regardless of the ownership of Party B's products, Party B shall sign this Agreement in its own name and directly assume all legal liabilities. Without the written permission of Party A, Party B shall not transfer the agency or develop a subordinate agent. Moreover, Party B shall not refuse to perform this Agreement on the grounds of its relationship with any third party. Any dispute between Party B and its customers shall be resolved by themselves, and Party A will not directly intervene in the dispute.
3. Party B shall fulfill reasonable and necessary prudential and security obligations to ensure the legitimacy and security of the promotional contents, and ensure that it will not provide any content material containing malicious software, spyware or any other malicious code in data promotion, nor will it violate or evade any law, regulation and rule, and any national standard.
4. During the validity period of this Agreement, if any employee of Party A or its affiliated enterprises becomes a shareholder or senior executive of Party B, Party B promises to immediately notify Party A in writing, otherwise, Party A shall be entitled to terminate this Agreement in advance at any time without bearing any liability.
5. Party B shall not directly or indirectly induce, require, persuade or encourage the employees of Party A and/or its affiliated companies to resign, nor shall it establish or attempt to establish employment relations,

business relations or other relations directly or indirectly related to the interests and business of Party A and/or its affiliated companies with the employees of Party A and/or its affiliated companies. Where Party B violates the provisions of this clause, Party A shall have the right to terminate this Agreement immediately, and Party B shall pay Party A RMB 100,000 as liquidated damages. If the liquidated damages are insufficient to make up for the losses of Party A and its affiliated companies, Party B shall make compensation continuously.

6. Party B shall protect fair competition in the market and the unified management system of Party A, and shall not engage in vicious competition or other unfair competition with other agents of Party A.
7. During the cooperation between both parties, either party shall ensure the service quality, and shall not damage the overall market image of the other party, nor engage in any other act harmful to the interests of the other party.
8. Party B promises that after the termination or dissolution of this Agreement with Party A, it will not express or imply that it has any substantive contact with Party A or otherwise express or imply that it is an agent of Party A without the written consent of Party A.

#### **Article XI Dispute Resolution**

1. This Agreement is signed at Haidian District, Beijing. Any dispute arising from this Agreement shall be settled by both parties through friendly negotiation. If the negotiation fails, either party has the right to submit it to the People's Court of Haidian District, Beijing for litigation, or the superior court of the People's Court of Haidian District for territorial jurisdiction according to level jurisdiction.
2. The conclusion, performance and interpretation of this Agreement shall be governed by the laws of the People's Republic of China.

#### **Article XII Notice and Service**

1. Unless otherwise specified in the agreement, the notices, documents and materials (including but not limited to the *Management Regulations on the Use of Ocean Engine and Associated Brands by Ocean Engine Partners*, *Management Standards for Ocean Engine Agents*, *Management Standards for the Advertising of Ocean Engine*, *Data Promotion Schedule*, *Data Promotion Order*, *Data Promotion Settlement Statement*, and adjustment or change notices from the third-party monitoring organization. The document name may change, which shall be subject to the actual name adopted at that time) sent by both parties to each other for the conclusion and performance of this Agreement are all integral parts of this Agreement, and have the same legal effect as this Agreement. The aforesaid notices, documents and materials can be served by mailing according to the address set out on the first page, by email, by phone, by station letter notification or publicity on the data promotion platform, etc. In case of service by mailing, the notices, documents and materials shall be deemed as service upon they're delivered to the mailing address. In case of service by email, they shall be deemed as service within 24 hours upon they're sent out.
2. For any dispute arising from this Agreement, both parties confirm that judicial organs can serve litigation legal documents by any one or more of the contact ways specified in this Agreement (including but not

limited to by mailing according to the contact address listed in the agreement, by email or by SMS), and the time of service shall be subject to that of the fastest one among the aforementioned ways. Both parties jointly confirm that the above ways of service are applicable to all judicial stages, including but not limited to the first instance, second instance, retrial, execution and procedure of supervision and urge. Meanwhile, both parties guarantee that their addresses for service are accurate and valid. If any legal document cannot be served or be served timely because the address provided is inaccurate or the address after change is not informed in a timely manner, both parties shall bear the possible legal consequences arise therefrom.

3. For matters not covered in this Agreement, both parties can make confirmation through the email addresses of contact persons listed on the first page. Where either party changes its contact person or contact information, it shall notify the other party in writing 5 working days before the change, and bear all consequences arising from the failure to notify the other party in a timely manner.
4. In order to execute this Agreement, both parties will make use of the data promotion platform to serve various notices and standards, including but not limited to the publication and publicity of data promotion auditing standards, agent management standards, data promotion audit and control rules, and other notices, rules and policies, which shall be subject to the specific publication and publicity on the data promotion platform. If the aforesaid notices, policies and standards are sent through the data promotion platform, they will be deemed to be served and effective upon being publicized on the platform, and will be binding on Party B.
5. Where either party sends a notice to the other party in various ways, the date when the other party receives the notice at the earliest shall be the date of service.

#### Article XIII Effectiveness of Agreement

1. This Agreement and its annexes shall come into force as of the date when both parties affix their seals.
2. This Agreement is made in duplicate, one for Party A and one for Party B, both of which have the same legal effect.
3. This Agreement constitutes the entire agreement concluded between both parties on the issue under this Agreement, and replaces any oral or written communication, statement, MOU or agreement made between both parties on the aforesaid issue before the signing of this Agreement.

(Remainder of this page is intentionally left blank)

Party A: Toutiao (Xiamen) Technology Co., Ltd.  
(Seal of the service provider)  
Date: January 1, 2022

Party B 1: Beijing Baosheng Technology Co., Ltd.  
(Seal of customer 1)  
Date: January 1, 2022

Party B 2: Beijing Baosheng Network Technology Co., Ltd.  
(Seal of customer 2)  
Date: January 1, 2022

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**Annex I: *Data Promotion Order***

**Annex II: *Data Promotion Settlement Statement***

**Annex III: *Commitment Letter for Personal Information Protection***

**Annex IV: *Terms of Cooperation on Programmatic PMP Advertising***

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## Terms of Cooperation on Programmatic PMP Advertising

Party A and Party B carry out the cooperation on programmatic PMP advertising. According to the specific cooperation situation, the following terms shall apply to the programmatic PMP advertising:

### Article I Definitions

1. **Traffic trading services:** refer to the services provided by Party A or its affiliated companies as the traffic supply side for the demand side, including but not limited to traffic access, material launch, launch monitoring, financial settlement, etc. The system providing traffic trading services is referred to as the “traffic trading system”.
2. **PMP:** means that Party A provides high-quality advertising space for a limited number of advertisers or advertising operators, and both parties agree on various trading contents such as the unit price, advertising space, etc. through offline trading, and realize real-time intelligent advertising by programmatic interfacing. This type of traffic trading service system is referred to as “PMP”, also known as private market place.
3. **Demand-side platform:** refers to an online advertising platform service system, which provides advertisers with a launch and optimization service system of promotional contents, and is also known as DSP. Under this Agreement, the demand-side platform is Party B or the DSP designated by Party B and complying with this Agreement.
4. **Supply-side platform:** refers to the media service platform that integrates media resources to provide programmatic advertising distribution and screening for media owners or managers, which is also known as SSP. Under this Agreement, the supply-side platform is Party A.
5. **Audience:** refers to the target group to be accessible by promotional contents.
6. **Account:** refers to the unique digital number (“ACCOUNT ID”) that identifies Party B or the identity of DSP designated by Party B when Party B uses services in traffic trading system. The account name and password provided by Party B will be associated with this account.

## Article II Cooperation Contents

1. Party B can carry out programmatic advertising on the traffic trading service platform only through the DSP confirmed by Party A in writing or by email and complying with Party A's standards and requirements, and interface with Party A's traffic trading system according to the technical specifications provided by Party A. Party A will provide traffic trading services according to this Agreement. Party B confirms that Party A has the right to adjust or reduce the DSP that complies with Party A's standards and requirements, with Party B notified in advance. This clause shall not be regarded as or constitute any guarantee provided by Party A for the DSP or any liability for its behaviors.
2. Party A has the right to adjust the pricing rules and expense payment methods for traffic trading services according to the actual situation, and the aforesaid adjustment should be communicated with Party B in advance. If Party B raises an objection, Party A shall actively seek solutions with Party B. If Party B disagrees to the adjustment in writing, it may choose to terminate this Agreement.

## Article III Consumption Requirements and Payment Methods of PMP Advertising

1. On Party A's PMP traffic trading service platform, for the traffic sent by Party A, Party B is entitled to choose whether to return the advertisements of its customers through the DSP complying with this Agreement according to the launch mode. Meanwhile, each natural month is taken as a settlement cycle by both parties, and in each settlement cycle, Party B must ensure that the minimum monthly consumption of its settlement cycle is RMB 100,000. If the settlement cycle is less than one natural month, the minimum consumption shall be calculated according to one natural month. If Party B fails to satisfy the minimum consumption standard in a settlement cycle, it shall still make a settlement according to the minimum consumption standard as agreed in this Agreement. If Party A adjusts the minimum consumption amount, it shall promptly notify Party B, and both parties confirm that the contents of the latest notice from Party A will be followed.
2. The launch modes include but are not limited to BPG, PDB, PD, etc., which shall be subject to the *Data Promotion Order* signed by both parties or confirmed by email.

BPG: non-returnable private programmatic trading advertisement with fixed space and guaranteed volume;

PDB: private programmatic trading advertisement with fixed space and guaranteed volume;

PD: private programmatic trading advertisement with fixed position and unlimited volume;

3. Agreement on unit price: the unit price shall be subject to the published price of Party A in the current period.
4. Payment methods:

(i) For the promotion of programmatic PMP advertisements, Party B shall pay Party A the data promotion expenses within the agreed period as follows:

Pay before data promotion (i.e., prepay). Party B shall pay the promotion expenses to Party A before data promotion. With each natural month as a settlement cycle, both parties shall timely calculate the promotion expenses incurred in the previous cycle in each settlement cycle, and Party A shall timely provide Party B with the invoices of equal value after receiving the sealed order or *Data Promotion Settlement Statement* issued by Party B.

#### **Article IV Execution Clause of Party A's Traffic Trading Service Platform**

1. Party B can only launch the promotional contents of Party B's customers on Party A's traffic trading system, and shall not assign the promotion resources under this Agreement to release the promotional contents of other platforms/systems.
2. Party B guarantees that Party B and its customers are legally qualified to release the corresponding promotional contents, and related goods and services in the promotional contents should be legal, conform to relevant national standards and regulations, have passed the corresponding administrative approval, are not counterfeit and shoddy products, and will not infringe upon the legitimate rights and interests of any third party. Party B shall be responsible for reviewing the relevant certification materials that should be provided by its customers according to law, so as to ensure the legality of the promotional contents.
3. Party B shall ensure that it has obtained the consent of its customers to release the promotional contents through Party A's traffic trading system, and shall review the government approval and relevant certification documents necessary for customers to release the promotional contents according to law.
4. Party B shall, as required by Party A, submit certification documents related to the promotional contents, including but not limited to authentic information of customers, certification or authorization documents of trademark right and copyright, authorization certificate of portrait right, approval document number, inspection report and other qualification certification materials for proving the authenticity, legality and

effectiveness of the promotional contents.

5. Party B shall guarantee that the promotional contents launched comply with all applicable laws, regulations, rules, binding policies and Party A's standards for promotional contents (including but not limited to the *Management Standards for the Advertising of Ocean Engine*).
6. Party A will carry out inspection and spot check of the promotional contents uploaded by Party B. If any content fails to satisfy Party A's standards, Party A shall be entitled to unilaterally take corresponding measures, including stopping the release of the promotional content, suspending account transactions, etc.
7. Where Party B's promotion link address is infected by any computer virus, Party A has the right to suspend the release of the promotional contents, shall simultaneously notify Party B to disinfect the server, and can resume the release of the promotional contents only after Party B disinfects the server and Party A confirms that the promotion link is safe. The suspension of the release of promotional contents during this period shall not be deemed as Party A's breach of contract, and the loss arising therefrom shall be borne by Party B. Party A will not supplement the release, and Party B shall still pay Party A service fees in full according to the contract.
8. To protect the rights and interests of Party B, Party A may suspend providing traffic trading services and notify Party B when any abnormal activity is found in Party B's system and account.
9. Party B shall guarantee that the promotional contents uploaded by it are consistent with the contents of the landing page, and will not cause the misunderstanding of consumers in overall effect. During the effective display of promotional contents, the landing page shall not be changed.
10. Where any promotional content of Party B or the DSP designated by Party B violates this Agreement, Party A and cooperation websites shall have the right to refuse to release it or delete it at any time after release, and will not display all promotional contents uploaded by Party B or the DSP designated by Party B through system settings, even if Party B has succeeded in bidding. In addition, Party A shall be entitled to require Party B to pay liquidated damages separately at the standard of RMB 5,000 per piece of illegal information. If the loss of Party A and/or cooperation websites arising from the breach of contract and violation of the information of Party B or the DSP designated by Party B exceeds RMB 5,000, Party B shall make additional compensation within 5 working days.
11. Where any third party complains about Party B's promotional contents or corresponding products/services under this Agreement, Party A shall have the right to immediately stop the service to Party B and notify Party B with the contact information left by it, and Party B shall bear all consequences

caused thereby.

12. Advertising data statistics: the same as the statistics of non-bidding data promotion data in Paragraph III of Article IV in Part II “General Terms” under this Agreement.

#### Article V Rights and Obligations of Both Parties

1. Party B shall recharge, quote and upload promotional information according to relevant standards released on the traffic trading system. Any loss caused by improper operation of Party B shall be borne by Party B. Improper operation includes, but is not limited to the failure to operate according to instructions, the failure to operate timely, password disclosure, the circumvention of security procedures and the use of malicious computer programs.
2. Party B understands and agrees that Party A has the right to save Party B’s information (including but not limited to the information release location selected by Party B, information content released by Party B, etc.) on Party A’s server according to law.
3. **Party B confirms and agrees that Party A will not make any explicit or implied promise on audience clicks, promotion effects, business performance, etc. that Party B can achieve by virtue of the traffic trading services.**
4. Where Party B violates any guarantee or promise under this Agreement, once it’s found by Party A/ cooperation websites, or any Internet audience files a complaint against Party B, or relevant management department carries out investigation, Party A has the right to unilaterally terminate the service to Party B immediately, in addition to dealing with it according to the provisions of this Agreement.
5. Party B shall provide Party A with the true and accurate identity, address, promotion qualification and other information of its customer. Party B may enter the above information through API or traffic trading system provided by Party A for verification by Party A. If Party B fails to submit relevant materials in a timely manner or the materials submitted by it are incomplete or inaccurate, Party A is entitled to refuse to launch all promotional contents of the customer.
6. Where Party B modifies its account data in Party A’s traffic trading system, it shall apply to Party A and be verified by Party A before modification.
7. The advertising contents released and submitted by Party B on Party A’s traffic trading service platform must indicate the source of the advertisement.
8. If Party A violates its obligations under this Agreement, causing any loss to Party B, the maximum amount of compensation shall be the bid price (the highest budget limit) of Party B when bidding. If Party B

violates its obligations under this Agreement, causing any loss to Party A, its affiliated companies and (or) cooperation websites, and other related third parties, Party B shall be liable for compensation. Party A has the right to directly deduct various expenses from the advance payment of Party B, including but not limited to the compensation as agreed in this clause, liquidated damages specified in the *Management Standards for the Advertising of Ocean Engine*, and the compensation, legal costs, attorney fees and notary fees that must be paid according to law, and Party A is entitled to immediately suspend or terminate the cooperation with Party B. If Party B fails to pay the advance payment to Party A or the advance payment is insufficient to compensate for the losses of Party A, its affiliated companies and (or) cooperation websites, and other related third parties, Party A has the right to directly deduct the aforesaid expenses from the rebate payable as specified in this Agreement and any other contract signed between both parties. If the rebate amount is still not enough, Party A has the right to require Party B to make payment additionally.

9. When Party B conducts data promotion on Party A's traffic trading service platform, it shall abide by the platform rules (including but not limited to the *Management Standards for the Advertising of Ocean Engine*, operation specifications, assessment rules, etc.). If Party A's platform rules are updated, Party A may inform Party B through website publicity, email and website notification. Where Party B violates Party A's platform rules during its promotion and launch, it shall pay liquidated damages or compensation according to Party A's platform rules. If Party B refuses to pay, Party A has the right to deduct the corresponding amount from the advance payment of Party B. If Party B fails to pay the advance payment to Party A or the advance payment is insufficient, Party A has the right to directly deduct the corresponding amount from the rebate payable as specified in this Agreement and any other contract signed between both parties. If the rebate is still not enough to compensate for Party A's losses, Party B shall make compensation continuously, and Party A has the right to immediately suspend or terminate the cooperation with Party B and investigate Party B's liability for breach of contract.
10. Party B shall not change the promotional content page without permission during the launch. Once found, Party B shall bear the liabilities for breach of contract and compensation. Party B shall pay liquidated damages of RMB 20,000 for the first violation, RMB 100,000 for the second violation and RMB 500,000 for the third violation, and for the fourth violation, Party A has the right to permanently terminate the cooperation with Party B. If Party B changes the promotional content page privately, causing the content to violate relevant laws and regulations and to be investigated by relevant administrative authority, Party

B shall cooperate with Party A to make a truthful statement of the foregoing situation. If the aforesaid liquidated damages are not enough to compensate for the losses of Party A and its affiliated companies, Party B shall make compensation continuously.

11. Party B and its DSP interface service providers shall not engage in unfair competition of traffic hijacking by providing any malicious program or spyware, or by other means. If the traffic hijacking behavior of Party B and/or its DSP damages the legitimate rights and interests of Party A and/or its users/customers, Party A has the right to require Party B and its DSP to assume all legal liabilities.
12. Party B shall, according to the classifications of advertisers and promotional contents required by Party A and traffic service platform cooperation websites, promise not to use the customers and promotional contents prohibited by cooperation websites for advertising bid on the cooperation websites. Any loss of Party A, its affiliated companies or cooperation websites arising from the violation of the aforesaid regulation shall be borne by Party B.
13. Party A will not be liable for any dispute arising from the promotion between Party B and the media and final customers. Party A will not establish any relation with the customers, nor will it charge any fee from the customers (unless otherwise agreed). Party B shall negotiate with the customers on fee collection, invoice issuance, fee refund, customer service and all other issues, provide customers with necessary technical support, guidance and training, and supervise the customers to abide by various rules of Party A's traffic trading service platform. However, without the written consent of Party A, Party B shall not set any clause or promise related to Party A in any form.
14. During the cooperation between both parties, the traffic trading system and any information, material, trading record and data provided by Party A are Party A's business secrets and all relevant intellectual property rights shall be attributed to Party A. Party B shall guarantee that it will timely delete the aforesaid information and data. Unless otherwise agreed by Party A in writing, Party B shall not use the above information and data in any other behavior, including but not limited to mapping, copying, spreading, processing, analysis, reuse, release, etc., except for achieving the purpose under this Agreement, regardless of whether the above information and data are taken as a whole or separate segments, or are combined with other information and data.
15. Party B agrees that Party A will not bear any liability under the following circumstances: (1) the service is not provided due to any reason other than Party A's intention or negligence; (2) Party B and/or any third party suffer any loss due to Party B's intention or negligence; (3) Party B violates this Agreement,

or other agreements, contracts and/or provisions signed with Party A, or Party A's platform rules for launch, etc.  
(Remainder of this page is intentionally left blank)

Party A: Toutiao (Xiamen) Technology Co., Ltd.  
(Seal of the service provider)  
Date: January 1, 2022

Party B 1: Beijing Baosheng Technology Co., Ltd.  
(Seal of customer 1)  
Date: January 1, 2022

Party B 2: Beijing Baosheng Network Technology Co., Ltd.  
(Seal of customer 2)  
Date: January 1, 2022

# Alibaba Intelligent Marketing Platform

## Cooperation Agreement

(General Terms and Conditions for Business Agency +  
Particular Terms and Conditions for Agency)

Party A: Beijing Baosheng Technology Co., Ltd.

Party B: Guangzhou Juyao Information Technology Co., Ltd.

Place of signing: Tianhe District, Guangzhou

Date of signing: [January].[1],[2022]

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**Party A and Party B**

**Party A: Beijing Baosheng Technology Co., Ltd.**

Legal representative: Zhong Wenxiu

Unified social credit code:

Contact person: Cai Zilong

Tel:

Contract mailing address:

Recipient: Cai Zilong

Tel:

**Party B: Guangzhou Juyao Information Technology Co., Ltd.**

Legal representative: Yang Huaiyuan

Unified social credit code:

Contact person: Yang Man

Tel:

Contract mailing address:

Recipient: Chen Yizhu

Tel:

After equal and friendly negotiation, Party A and Party B have agreed on the following terms and conditions concerning cooperation matters about Party B's provision of technical services for Party A for mutual compliance. **The Agreement consists of Part I General Terms and Conditions for Business Agency (hereinafter referred to as "General Terms and Conditions"), Part II Particular Terms and Conditions for Agency and Part III Other Terms and Conditions. Both parties shall strictly abide by the contents of the Agreement.** The Agreement contain the basic clauses based on which both parties sign the Particular Terms and Conditions of Customer Framework Agreement (hereinafter referred to as "Particular Terms and Conditions for Customer Framework"), and constitutes a complete Cooperation Agreement (hereinafter referred to as "the Agreement") together with the Particular Terms and Conditions for Customer Framework, Service Order (or Order Contract) and other related annexes. The Agreement and each of its separate components shall be legally binding on both parties. If written documents such as Particular Terms and Conditions of Customer Framework Agreement or Order Contract have not been signed and sent by both parties, the validity of the Agreement will not be affected. Both parties may conduct cooperation according to the communication results via written communication methods agreed herein.

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# Part I: General Terms and Conditions for Business Agency

The General Terms and Conditions for Business Agency contain the basic clauses based on which Party A and Party B conduct technical cooperation. Both parties agree that Party B shall provide technical services for Party A through its website or software system; Party A shall pay technical service fees to Party B and handle other related cooperation matters **according to the payment and settlement methods and prices as agreed by both parties or as agreed in the Particular Terms and Conditions for Agency, Particular Terms and Conditions of Customer Framework Agreement or Order Contract.**

In the Agreement, either party may be referred to as “the party”, and Party A and Party B collectively referred to as “both parties”.

## I. Definitions and Interpretation

### 1.1. Partner:

The term “partner” herein refers to Party A, which includes both the agent in cooperation with Party B (hereinafter referred to as “the Agent”) and the direct customer depending on the different contracting subjects of Party A and cooperation methods.

### 1.2. Direct customer:

The term “direct customer” refers to the partner who directly signs a contract with Party B and provides technical services hereunder. The direct customer and customer have different meanings herein.

### 1.3. Agent:

The term “agent” referred in the name and terms of the Agreement is a common term in the business field. That is, Party A is entrusted by its customers to apply for services from Party B, and independently bears corresponding legal responsibilities as an agent. The agent shall not, in any express or implied way, mislead the customer that it represents Party B.

### 1.4. Party B’s software system (referred to as “Party B’s System”):

It refers to the network technology software system developed and operated by Party B or its related parties, through which Party A can directly upload designated information; at the same time, the functions of the system also include statistical management of the

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number of clicks and views assuming that Party A's designated information can be finally clicked and viewed by users.

1.5. Party B's system account:

It refers to the unique digital number ("User ID") that identifies Party A's identity when Party A uses Party B's services, and the user name and password provided by Party B will be associated with this account. Party A may set up sub-accounts in Party B's system account, and transfer money to each sub-account through Party B's system account (the minimum amount shall not be less than RMB 5,000 or the minimum amount limited by the account). Party A is responsible for associating the user name and password of the sub-account.

1.6. Party B's technical service platform (referred to as "Party B's Platform"):

It refers to the client software or platform (including the released retrospective versions and versions to be released in the future) which is configured and applied to Android, IOS and other mobile terminal operating platforms and owned by Party B or its related parties according to law or based on cooperation between Party B and other third parties as well as the related websites (hereinafter referred to as "Party B's Website") which Party B has right to operate.

1.7. Designated information:

It refers to the information content provided by Party A, including but not limited to links, text descriptions, pictures and videos, as well as pages appearing after clicking.

1.8. Technical services:

Technical services refer to the technical services provided by Party B for Party A by means of Party B's System, which can be operated by Party A and enable the designated information of Party A to be dynamically stored, analyzed, sorted and calculated according to certain rules, and output information and data processing results. Party A can operate the functions of push condition setting, selection of technical service platform and data analysis through Party B's System.

1.9. Service fee:

It refers to technical service fee that Party A shall pay to Party B for using the services provided by Party B as listed in the Agreement, which may be referred to as "service fee" herein.

1.10. Customer:

It refers to the civil and commercial subject that entrusts the Agent to use the technical services provided by Party B on Party B's System.

## II. Contents and Methods of Cooperation

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- 2.1. Party A and Party B confirm that Party B will provide technical services for Party A through Party B's System/Platform/Website through bidding or non-bidding. Party B will provide services according to the operation of Party A or the customer in Party B's System, and enable the designated keywords and designated information of Party A or the customer to be displayed in the foreground, or information to be dynamically collected, processed, stored, retrieved and calculated according to certain rules, and data processing results to be obtained. Party A can set push conditions and analyze data through Party B's System, so as to make it possible for designated information of Party A or the customer to obtain a better ranking position.
  - 2.2. Assessment: In the cooperation hereunder, the Agent will assess Party A's business operation ability reflected in the cooperation based on voluntary acceptance of Party B's consideration of long-term cooperation, and the assessment policy will be agreed in the Particular Terms and Conditions of Agency Distribution Agreement and Party B's notice or announcement.
  - 2.3. All designated information uploaded by Party A on Party B's System/Platform/Website shall comply with current laws and regulations of China, and there shall be no infringement of the legal rights of other third parties.
  - 2.4. The above designated information shall be approved by Party B before it can be displayed or optimized by technical services. Once approved, the designated information shall not be modified or changed at will.
  - 2.5. For Party A or the customer who needs to use Party B's System, if Party A or the customer registers itself through Party B's System and becomes a registered user of the system, they can independently operate the designated keywords and designated information through Party B's System. The operation of Party A or the customer shall comply with the specification requirements of Party B and the requirements of laws, regulations and policies. Party A shall keep secret its user name and password for login of Party B's System and shall not disclose them to a third party. If Party A improperly keeps its account, the losses caused thereby shall be borne by Party A.
  - 2.6. Party A and Party B confirm that all statistical data hereunder (including but not limited to PV, UV, cooperation income, clicks and downloads of released information) shall be subject to Party B's statistical methods and results, unless a third-party data monitoring company is designated to provide statistical data services of push or otherwise agreed by both parties. Party B's System enables balance enquiry via accounts of Party A and the customer, and Party A or the customer can inquire relevant data in real time through Party B's System Platform. At the same time, Party B guarantees the objectivity and truthfulness of the statistical data.
  - 2.7. If Party A has any objection to the statistical data, it shall raise a written objection to such data in the previous month before the first three working days of the next month, and both parties shall jointly confirm the data. If Party A does not raise a written objection during
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the aforesaid period, it shall be deemed that Party A has accepted Party B's statistical data on clicks of last month and that Party B is qualified to perform the service of last month.

### **III. Special Agreement on Rights and Obligations**

- 3.1. Representations and warranties of Party A and Party B for qualification
    - 3.1.1. Both parties guarantee that it is an independent legal person legally incorporated and validly existing in accordance with the relevant laws of the People's Republic of China, and meanwhile fully enjoys the legal capacity for civil rights and civil conduct, which is sufficient to enable it to exercise its rights and perform its obligations hereunder. Meanwhile, when both parties exercise their rights or perform their obligations hereunder, their actions will not violate any restrictions of applicable laws binding on them, nor will they infringe on the legitimate rights and interests of any third party outside the Agreement;
    - 3.1.2. The legal representatives or authorized agents of both parties have obtained full and complete legal qualifications or authorization to sign the Agreement on behalf of their respective legal organizations;
    - 3.1.3. Party A shall inform Party B before changing its equity, company name, legal representative, directors, supervisors and core executives, and Party B has the right to judge whether the above changes have a significant impact on this cooperation and decide whether to continue cooperation. If Party A fails to inform Party B of the above changes in advance, Party B has the right to terminate the cooperation and cancel Party A's agency right.
  - 3.2. Party A shall truthfully disclose customer information to Party B, and is obliged to require the customer to provide relevant supporting documents. The supporting documents shall include, but are not limited to, qualification certificates for production or operation issued by relevant government departments, information audit certificates (if necessary), trademark registration certificates obtained in China and other supporting documents stipulated by laws and regulations. It is required to ensure that the information content is true, legal and healthy, and submit such documents to Party B when Party B deems it necessary.
  - 3.3. Party A shall ensure that it and the customer have legal and true qualifications, and that the information content has been approved by relevant government departments (if necessary). If Party B receives any request, appeal, application, etc. from a third party or is warned, punished or fined by any administrative law enforcement department due to insufficient qualifications and supporting documents of Party A or the customer, defects in authenticity, etc. Party A shall compensate Party B for the losses, including but not limited to attorney fees, legal fees, travel expenses, notarial fees and all other reasonable expenses.
  - 3.4. Party A guarantees that such information resources as text, pictures, videos or links provided by it does not contain any content that violates relevant national laws, regulations, policies, notices, directives and international treaties recognized or acceded to by the People's Republic of China, including but not limited to contents that endanger national security, have attributes of obscenity, falsehood, fraud, insult, slander, intimidation or
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harassment, infringe on or are suspected of infringing on intellectual property rights, personal rights or other legitimate rights and interests of others, and violate public order and good customs.

- 3.5. Party A's information shall not involve any content in violation of laws and public order and good customs, including but not limited to:
    - 3.5.1. Endangering national security, revealing state secrets, subverting state power, undermining national unity, and damaging national honor and interests;
    - 3.5.2. Inciting national hatred or discrimination and undermining national unity;
    - 3.5.3. Destroying national religious policy and propagating heresy and feudal superstitions;
    - 3.5.4. Spreading rumors, disturbing social order and undermining social stability;
    - 3.5.5. Spreading obscenity, pornography, gambling, violence, murder, terror or abetting crimes;
    - 3.5.6. Insulting or slandering others and infringing on legitimate rights and interests of others;
    - 3.5.7. Web pages or software content containing viruses or other malicious fee deduction codes;
  - If Party A violates this clause, Party B has the right to refuse to display or delete such information at any time after display, will not display all the information submitted by Party A through system settings, and has the right to unilaterally terminate the Agreement. Termination of the Agreement will not exempt Party A from paying to Party B the fee for services already provided, and the remaining fees will not be refunded.
  - 3.6. Party A understands and undertakes that there is no contractual relationship between the customer and Party B, and all the rights and obligations of the customer under the Agreement shall be exercised and performed by Party A. Meanwhile, any disputes, objections, disputes, requests, demands or appeals between Party A and the customer based on the transactions hereunder shall be settled by Party A and the customer, and Party A shall exempt Party B from all responsibilities, including but not limited to tort compensation, compensation for overdue payment, etc.
  - 3.7. Party A understands and agrees that Party B can adjust the platform system, and Party B can configure the role of business agent and service agent for Party A in Party B's Platform based on the cooperation hereunder, so that Party A can better provide services for its customer. Party A shall abide by Party B's management rules and standards (including requirements for business agency and service agency); Party B may also provide system services according to the authorization requirements between Party A's customers and service agents.
  - 3.8. If Party A wants to act as a service agent for a customer alone, it may sign a service agency cooperation agreement separately upon consent of Party B and/or its affiliates, and Party A shall provide services as entrusted by its customer.
  - 3.9. Party B has the right to review the information content and form and qualification of relevant documents provided by Party A. In case any non-compliance with laws and
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regulations is found or Party B has reason to believe that the content display will bring adverse effects to Party B, Party B has the right to demand Party A to revise the content within 3 days after receiving the written (including e-mail) modification notice from Party B; Party B has the right to refuse to display the content before Party A modifies it according to Party B's requirements, and Party B shall not bear any responsibility for the service delay caused thereby. If the normal development of Party B's business is affected due to Party A's refusal to modify the content or content modification beyond the time limit, Party B has the right to unilaterally terminate the Agreement and demand Party A to compensate it for all economic losses incurred during the delay period.

- 3.10. If Party A or the customer needs to modify or even replace the designated information, it should apply to Party B in writing or via system application at least 3 working days in advance, and the new designated information can only replace the original information after being approved by Party B. If the designated information is modified or replaced without Party B's review, Party A shall be deemed as breaching the Agreement and shall be handled in accordance with the terms of liability for breach of contract herein.
  - 3.11. If the third party complains to Party B that the information content designated by Party A and the products/services corresponding to the linked pages are illegal or fraudulent and provide legal basis, Party B has the right to immediately make offline or delete concerned products or pages. Meanwhile, Party B will suspend providing services for Party A, and Party A shall bear the consequences caused thereby. The suspension of service stipulated in this clause shall not exempt Party A from paying to Party B the fee for services already provided. If the judicial organ or administrative agency determines that the complaint by a third party is established, the remaining amount of service fee shall not be refunded, and Party A shall compensate Party B for all losses.
  - 3.12. Party B's approval of the qualifications and information content of Party A and the customer does not exempt Party A and the customer from assuming their due responsibilities while their qualifications or content violate relevant laws and regulations.
  - 3.13. In the case of non-bidding resources in technical services, if wrong broadcasting or missed broadcasting is caused by Party B, supplementary services shall be provided for Party A according to the principle of a supplementary service per missed broadcasting.
  - 3.14. Restriction on the transfer of rights and obligations and prohibitive agreement on fraudulent performance
    - 3.14.1 The rights and obligations hereunder shall not be transferred unilaterally by either party in any way unless subject to legal conditions or agreed by both parties in writing;
    - 3.14.2 Both parties hereto shall not damage the interests of users and mutual reputation by fraud and other improper means, and are strictly forbidden to deliberately increase or decrease the clicks or visits by various malicious means for the purpose of obtaining illegitimate benefits. Once found, the act will be deemed as fraudulent performance of the Agreement, and the non-responsible party has the right to terminate the Agreement
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immediately and unconditionally, and submit it to the national public prosecution organ for judicial handling.

- 3.15. Both parties undertake to abide by the applicable laws and regulations on protecting personal information and privacy and freedom of correspondence and ensuring the safe operation of the network. Party A undertakes in terms of the transmission of personal information as required for performance of the Agreement:
- (1) Personal information has been de-identified in accordance with the requirements of applicable information protection laws before transmission;
  - (2) The transmitted personal information is complete, accurate and up-to-date;
  - (3) The transmitted personal information has been provided with security measures such as encryption;
  - (4) When collecting personal information, it has fulfilled its obligation to inform the subject of personal information in accordance with the requirements of applicable information protection laws, and has obtained the authorization of the subject of personal information to process personal information under the Agreement and provide personal information for Party B; if it involves obtaining personal information from a third party, Party A undertakes to ensure that the third party has fulfilled the above notification and authorization requirements. Party A will provide written proof of such authorization as requested by Party B;
  - (5) When transmitting personal information to Party B, it has implemented the provisions of applicable laws and the security measures required by Party B;
  - (6) It undertakes not to transmit personal information collected in violation of applicable information protection laws or without the authorization of the corresponding subject of personal information to Party B.
- 3.16. Both parties undertake not to crack the data or data analysis results returned by the other party by means such as reverse engineering, decompilation or disassembly, or attempt to track, locate or reversely infer the specific user or users' personal information by other means; the advertising identifier, advertising space information, advertising demand information and advertising consumption information data information obtained through this cooperation will be only used for the purposes, methods and scope described in the Agreement or other written requirements of both parties, and will not be used for other purposes without the written authorization of the other party.
- 3.17. Both parties undertake that the data obtained in this cooperation will not be transferred across borders to countries and regions outside the People's Republic of China.
- 3.18. Both parties agree that the remaining part of the deposit (if any) paid by Party A to Party B or Party B's affiliates based on previous cooperation with Party B or Party B's affiliates (that is, the amount after deductions or other deductions from the original deposit) shall be disposed of according to Party B's requirements. Party A shall make up the deposit according to the deposit terms (if any).

#### **IV. Limitation of Liability**

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- 4.1. Party A undertakes not to pursue Party B's legal responsibility in case Party A's original service plan cannot be carried out normally due to upgrade or change of Party B's System, but Party B is obliged to try its best to avoid service interruption or limit the interruption to the shortest time.
  - 4.2. Party A confirms and agrees that Party B will not make any express or implied guarantee or commitment to the clicks, visits and business performance of the information content available to Party A and the customer by using this service. Party B does not guarantee that the service content will be clicked or viewed by users after providing the service.
  - 4.3. Party A shall bear all the compensation liabilities for the losses that Party B and (or) other relevant third parties suffer (including but not limited to compensation, legal fees, attorney fees, notarial fees, etc. that must be paid according to law) due to Party A's violation of the Agreement. Party A agrees that Party B has the right to cancel Party A's account in Party B's System at any time after the above situation occurs, and deduct the above expenses and/or loss compensation from the amount already paid by Party A.
  - 4.4. In order to protect Party A's rights and interests, Party B may suspend the provision of services while discovering abnormalities in the information contents and accounts of Party A or the customer.
  - 4.5. If the above-mentioned third party that complains to Party B that the information content designated by Party A and the products/services corresponding to the linked pages are illegal or fraudulent and provide legal basis requests Party B to disclose the basic information of Party A and the customer according to laws, regulations and policies of the competent authority, including and only including name, address and contact information, Party A will accept that Party B's disclosure does not violate the confidentiality clause of the Agreement. If the competent administrative authority and judicial organ demand Party B to disclose information beyond the above scope, Party B will not violate the relevant confidentiality clause of the Agreement.
  - 4.6. Party B will provide corresponding security measures using existing technology to ensure the safe and normal provision of service. However, due to possible computer viruses, network communication failures, system maintenance and other factors and possible force majeure events, Party B cannot guarantee the absolute security of the service and normal provision of service under any conditions. Party A shall understand it and shall not require Party B to bear the responsibility under the following circumstances:
    - (1) System downtime maintenance;
    - (2) Failure of service equipment, communication or any equipment to transmit data or delay, inaccuracy, error, omission, etc.;
    - (3) Due to force majeure factors such as typhoon, earthquake, tsunami, flood, power outage, war, terrorist attack, etc., it is impossible to carry out business due to system obstacles;
    - (4) Service interruption or delay due to hacker attack, technical adjustment or failure of telecommunications sector, website upgrade, third-party problems, etc.;
    - (5) Failure to serve or delay in service caused by government actions and orders of international and domestic courts.
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- 4.7. Party A confirms that its request to provide services for its designated information is made based on its independent judgment at its own risk. Party A shall be solely responsible for the loss (if any) that may be caused by the loss of its computer system or data.
- 4.8. Party A agrees that Party B shall not assume any responsibility under any of the following circumstances:
- (1) Failure to provide the service not because of the intention or negligence of Party B;
  - (2) Party A and/or any third party suffer losses due to Party A's intention or negligence;
  - (3) Party A violates the Agreement or Party B's system rules. The system rules include the rules listed in the Rules for Judging Violations of Alibaba Intelligent Marketing Platform and Measures for Handling Violations and the express operation specifications in Party B's System.
- 4.9. Party A is fully responsible for the authenticity, legality, accuracy, and integrity of intellectual property rights and other rights of the network information, designated information content and the goods/services corresponding to the information (if any), so Party A shall independently assume the audit responsibility for the above matters. Party A shall be fully responsible for any disputes, complaints or government penalties arising from the above matters. If Party B first pays compensation or fine, Party A shall make full compensation for Party B's losses (including but not limited to the fines imposed by administrative law enforcement departments, compensation, legal fees, attorney fees, notarial fees, etc. that must be paid by according to law) within 15 working days.
- 4.10. As the party providing technical services hereunder, Party B guarantees to Party A and the customer that its intellectual property rights, operation rights and other rights over Party B's Platform, Party B's System and Party B's Website comply with relevant national laws and regulations, and do not infringe upon the legitimate rights and interests of any third party outside the Agreement. In case of any right defects in the actual operation process or right claims by any third party outside the Agreement, Party B is obliged to ensure that Party A and the customer are exempted from liability, and take necessary measures to remove obstacles to the exercise of rights and performance of obligations under the Agreement.

## **V. Agreement Liability**

### **5.1. Liability for negligence in contracting**

Both parties hereto guarantee that they are legally qualified to engage in the cooperation hereunder and that they are not in breach of the representations and warranties for qualification under Clause 3.1 hereof. In case of contracting negligence or invalidation of the contract due to the disqualification of the subject of the Agreement, the qualified party has the right to unilaterally terminate the Agreement upon written notice, and pursue civil liability against the disqualified party for the actual losses caused by the latter's contracting negligence.

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- 5.2. If the information submitted by Party A or its customers contains content involving false propaganda or other violations of relevant laws and regulations, Party B has the right to unilaterally terminate the Agreement and compensate Party B for all economic losses caused thereto.
- 5.3. If Party A and the customer violate regulations in the process of accepting services, they shall be punished by Party B according to the Rules for Judging Violations of Alibaba Intelligent Marketing Platform and Measures for Handling Violations. For the definition of violations, please refer to the Rules for Judging Violations of Alibaba Intelligent Marketing Platform and Measures for Handling Violations (Annex).
- 5.4. Liability for breach of confidentiality obligation  
On the premise of ensuring the integrity and legality of the right to disclose confidential information to the Receiving Party, if the Disclosing Party suffers losses due to the Receiving Party's refusal to perform its confidentiality obligations hereunder or implements the prohibitive clauses in 6.5, the Receiving Party shall bear the liability for compensation to the Disclosing Party, and the amount of compensation shall be limited to the actual loss of the Disclosing Party. If the Receiving Party's behavior is seriously negligent or intentional, resulting in serious consequences of leaking secrets, the Disclosing Party has the right to directly pursue the legal responsibility of the Receiving Party to the public prosecution organ through judicial channels.
- 5.5. Party A shall sign and accept the Agreement Letter of Integrity and Honesty (Annex), and shall neither provide any form of illegitimate interests for the employees, consultants and close relatives of employees or consultants of Party B and its affiliates, or conduct other acts that violate the contents of the Agreement Letter of Integrity and Honesty. Otherwise, Party A agrees that Party B has the right to terminate the Agreement immediately, and Party A shall bear the liability for breach of contract to Party B by (a) taking 30% of all expenses already paid by it to Party B under the Agreement as liquidated damages; or (b) providing the total amount of any form of illegitimate interests as liquidated damages, whichever is higher.
- 5.6. Liability for breach of contract in defective performance of payment obligation  
In case both parties have agreed on the payment date and payment days, after Party B provides Party A with the technical services hereunder, if Party A refuses to punctually perform or delays its payment obligations to Party B, Party B has the right to demand Party A to correct the defective performance behavior and pursue liquidated damages against the customer at 5 ‰ of the total amount due to be settled in the current month per day. If the defective performance of the customer's payment obligations has lasted ten (10) days, Party B has the right to unilaterally terminate the performance under the Agreement. The payment of liquidated damages does not mean the discharge of Party A's debts hereunder, and Party A still needs to fulfill its payment obligations to Party B according to as agreed herein.
- 5.7. Other liability clauses as agreed in other provisions hereof.
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## VI. Confidentiality and Website System Security

6.1. The confidential information involved in the Agreement mainly specifies the following contents

- 6.1.1 Management information, including but not limited to: business planning and plan, production and operation performance and financial data, existing and expected customer and supplier information, financial information, human resources data, business operation documents, and other similar information;
- 6.1.2 Technical information, including but not limited to: know-how and ideas, design, process flow, technology and integration scheme, implementation plan, consulting report, computer program (including source program and object code), and other similar information;
- 6.1.3 Information provided by both parties in order to realize the purpose of the contract in the early stage of or during the cooperation, including but not limited to: cooperation contract, agreement, meeting minutes, overall implementation and process details of the project (including but not limited to: all the information learned by the customer through the inquiry channel of Party B), and other similar information.
- 6.1.4 Other confidential information indicated in a certain form.

6.2. The following information will not be regarded as confidential information

- 6.2.1 Information that is known to the public when it is obtained.
- 6.2.2 Information that is known to the public on the Receiving Party's part after being obtained.
- 6.2.3 Express information obtained from a third party with legal rights, without the obligation to keep it confidential.

6.3. Release of confidentiality obligation

- 6.3.1 The information has been or will be made available to the public for reasons not attributable to the Receiving Party.
  - 6.3.2 The Disclosing Party provides the information to a third party without requiring the latter to perform the confidentiality obligation.
  - 6.3.3 There is objective evidence that the Receiving Party has known or obtained the information transmitted by the Disclosing Party before accepting such information. Or the Receiving Party has independently developed in this respect by relying on persons who do not have direct or indirect access to the confidential information provided by the Disclosing Party.
  - 6.3.4 It is impossible to continue confidentiality due to the compulsory order or execution of the administrative organ or judicial organ. If the Receiving Party is unable to notify the Disclosing Party before or when the information is forced to be disclosed, it shall give the Disclosing Party a timely and reasonable written notice after the forced disclosure.
  - 6.3.5 The legal conditions for discharging the confidentiality obligation have been met.
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#### 6.4. Right statement of the Disclosing Party

The Disclosing Party shall guarantee the accuracy and completeness of the confidential information that it discloses to the Receiving Party. The Disclosing Party has the complete and lawful right to disclose part or all of the confidential information to the Receiving Party.

#### 6.5. Right exercise and confidentiality obligation of the Receiving Party

The Receiving Party has the right to authorize employees (including but not limited to employees of its branches) who are required to know the confidential information due to business needs to use and access to such information. In addition, such employees know and agree to comply with the relevant provisions of the Agreement. It is sufficient for employees to comply with all the terms of the Agreement by performing an appropriate written agreement between them and the Receiving Party. Without the prior written authorization or consent of the Disclosing Party, the Receiving Party shall not:

- 6.5.1 Disclose any confidential information to any third party;
- 6.5.2 Use confidential information for the benefit of a third party;
- 6.5.3 Use confidential information for purposes other than those hereunder.

#### 6.6. Statement of collateral obligations

This confidentiality obligation is a statutory collateral obligation for the performance of the Agreement. After the completion and termination of the Agreement, the obligations involved in the above confidentiality clauses shall not be exempted by the termination of the Agreement except in accordance with the terms and conditions of Clause 6.3.

#### 6.7. System security:

Party A shall ensure the security of its own website and the customer's website and system operation, and the transmitted information shall not contain any malicious codes and programs, will not affect the normal operation of the website system and will not infringe on the legitimate rights and interests of users and customers.

## **Part II: Particular Terms and Conditions for Agency**

Both parties jointly confirm that they will strictly follow the contents of the Particular Terms and Conditions for Agency. The Particular Terms And Conditions for Agency, General Terms and Conditions, Particular Terms and Conditions of Customer Framework Agreement, Order Contract and other related annexes constitute a complete Cooperation Agreement on Alibaba Intelligent Marketing Platform The Agreement and each of its separate components shall be legally binding

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on both parties. Meanwhile, both parties make it clear that the signing of the Particular Terms and Conditions for Agency will cover all previous agreements made by both parties orally or in writing. Both parties shall implement them as agreed before signing, and both parties shall implement them according to the Particular Terms and Conditions for Agency after signing.

Both parties agree that Party B shall provide technical services for Party A through its website or software system; Party A shall pay technical service fees to Party B and handle other related cooperation matters **according to the payment and settlement methods and prices as agreed in the Particular Terms and Conditions for Agency.**

## I. Cooperation Policy

1.1 Party A, as the technical service partner of Party B, shall provide Party B with high-quality customers, customer account management and other services, and accordingly Party B shall offer rewards to Party A according to the Agreement.

1.2 For details of specific cooperation policies under the Agreement, please refer to the management policies and standards of Intelligent Marketing Platform.

1.3 During the validity period of the Agreement, Party B has the right to change the specific contents of the above policies according to its own operational needs or other considerations. Party B shall notify Party A in writing or by mail of any modification or supplement to the policy content, and both parties shall implement the new policies in the next quarter after the policy change date. The implementation of the new policies is not retroactive.

## II. Customer Scope and Assessment Rules

2.1 Party A's customer scope shall strictly follow the platform rules such as customer development rules issued on the Intelligent Marketing Platform of Alibaba Intelligent Information Business Group.

2.2 Agent assessment rules: Party A, as the partner of Party B, shall accept the assessment made by Party B to Party A and meet the assessment requirements of Party B. The assessment requirements for Party A proposed by Party B shall be implemented in accordance with the KA Agent Access Standard of Alibaba Intelligent Marketing Platform (the specific designation of Party B shall prevail).

2.3. In case the agent has committed serious violations, Party B, its affiliates and the Intelligent Marketing Platform of Alibaba Intelligent Information Business Group have the right to terminate agent cooperation. For detailed criteria for violation judgment and assessment standards, please refer to the Management Measures for KA Agents of Alibaba Intelligent Marketing Platform formulated by Party B (the designation of Party B shall prevail, and any modification of relevant rules will not affect the previously established rewards or penalties).

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### III. Payment

#### 3.1. Payment method

The payment method agreed by both parties in the Particular Terms and Conditions for Agency is B.

##### A. Prepayment method.

Party A shall remit the fee for purchasing services to Party B's account in advance. The premise for Party B to provide technical services is that it has received the prepayment from Party A, and Party A shall pay attention to the account balance at any time and top up it in time. Otherwise, when the consumable amount is zero, the designated keywords will automatically go offline and the account will be frozen.

##### B. Unfixed payment days.

Party A shall pay service fee in full before the payment date determined by both parties. The relevant rules shall be subject to the Credit Management Rules of Alibaba Intelligent Marketing Platform issued by Party B (the designation of Party B shall prevail), and Party B may adjust the management rules according to its own operating conditions and market conditions. The payment days determined before the adjustment date shall be handled according to the original rules, and the payment days after the adjustment date shall be determined according to the new rules.

##### C. Fixed payment days for post-payment.

Party B shall provide Party A with a fixed payment days, and Party A shall pay service fee in full within payment days before the fixed payment date. The fixed payment days stipulated in the Particular Terms and Conditions for Agency is     . If both parties agree to change the payment days within the validity period of the Particular Terms and Conditions, or Party B changes the payment days as agreed in the contract, the new payment days will be implemented in the next settlement cycle from the date of change.

#### 3.2. Information of Party B's collection account:

[Wolong Juyao]

Account name: Guangzhou Juyao Information Technology Co., Ltd.

Opening bank and account No.:

[Huichuan Juyao]

Account name: Guangzhou Juyao Information Technology Co., Ltd.

Opening bank and account No.:

3.3. Invoice: Party A shall provide Party B with accurate and complete invoicing information, and Party B shall issue to Party A formal invoices that meet the requirements of tax authorities after providing services and receiving payment from Party A.

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## IV. Specific Implementation of Cooperation Policies

4.1 Both parties shall check the business situation of the previous quarter in the first month of the next quarter after Party A has made payment as agreed herein, and Party B shall submit it in writing. Both parties shall jointly determine the reward amount of this quarter.

4.2 Both parties agree that for quarterly rewards, they shall jointly confirm the actual accumulated service fee incurred by Party A in the previous quarter through the designated contact person and email address in the next quarter, and jointly confirm the reward amount in the previous quarter according to the agreed reward ratio. Settlement shall be made upon confirmation by both parties.

4.3 For the annual rewards, both parties shall jointly confirm the actual accumulated service fee incurred by Party A in current year through the designated contact person and email address in the first quarter of the next year, and jointly confirm the annual reward amount of the previous year according to the agreed reward ratio. Settlement shall be made upon confirmation by both parties.

4.4 Information of Party A's collection account:

Account name: [Beijing Baosheng Technology Co., Ltd.]

Opening bank and account No.:

4.5 If Party A has overdue service fee and still fails to pay it after Party B's urging, Party B has the right to deduct the corresponding amount overdue by Party A from the quarterly rewards and annual rewards, and then pay the remaining reward amount to Party A.

# Part III: Other Terms and Conditions

## I. Termination Clause

1.1 Both parties agree that either party may terminate the cooperation in advance in writing if it completes the following matters:

- (1) Both parties confirm that the cooperation on each platform has been completed;
- (2) The financial settlement of transactions is completed.

1.2 Both parties agree that either party has the right to terminate the contract by giving a written notice to the other party under any of the following circumstances:

- (1) If either party goes bankrupt or enters bankruptcy liquidation procedure, the procedure has not been revoked within 14 natural days;
  - (2) The revocation, revocation of business license and dissolution of either party's subject;
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- (3) Either party is unable to continue to perform the Agreement due to force majeure events;
- (4) Party A fails to pay the service fee in full and on time within the payment time agreed by both parties, and fails to pay the service fee and liquidated damages in full after being urged by Party B;
- (5) Party B may notify the other party by e-mail seven working days in advance according to its own business needs to terminate the Agreement, which is not regarded as a breach of contract. If the Agreement is terminated, in order to protect the interests of the customer, if the customer still has unconsumed prepayment, the unconsumed amount shall be postponed for consumption until it is consumed. Or at the request of Party A, Party B may refund Party A according to the refund process;
- (6) Party A (i.e., the Agent) signs cooperation access documents with Party B before formal cooperation (agreement on relevant cooperation preconditions), and Party A fails to meet the conditions and standards agreed in the access documents;
- (7) Party A has chosen to accept the assessment by Party B and fails to pay the deposit (if any) in full and on time according to the assessment rules, or Party A fails to meet the assessment standards and seriously violates regulations;
- (8) Party A transfers any rights and obligations hereunder to a third party in any form without the written consent of Party B;
- (9) Party A uses the brand, trademark and enterprise name of Party B and its affiliates fraudulently or beyond the scope as agreed in the Agreement, or Party B and its affiliates suffer from goodwill loss due to Party A's promotion in violation of laws and regulations;
- (10) Other termination matters agreed herein.

## **II. Miscellaneous**

2.1 Party A agrees to abide by the relevant rules concerning services published and updated by Party B from time to time through its system or platform or other means, including but not limited to information uploading, click statistics management, etc.

2.2 During the validity of the Agreement, either party shall not use the other party's brand and logo without authorization except as expressly stipulated in the Agreement. After the termination of the Agreement, neither party shall use the other party's brand and logo for any commercial purpose without authorization.

2.3 The entry into force, interpretation, execution, jurisdiction and dispute settlement of the Agreement shall be governed by the laws of the Mainland of the People's Republic of China. Any dispute arising from or in connection with the Agreement shall be under the jurisdiction of the people's court of the place where Party B is located.

2.4 Any notices and written letters between the parties must be in Chinese and sent by e-mail, fax, personal service (including express mail) or registered mail to the mailing address specified in the first part of the Agreement.

2.5 If the notices and letters are delivered by facsimile, the date of receipt shall be the exact time shown in the facsimile transmission record; provided that if the fax is sent after five (5) pm on that

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day, or the time of the place of the Receiving Party is not a working day, the date of receipt shall be the working day following the time of the place of the Receiving Party; if the notices and letters are delivered by e-mail, they shall be deemed to have been served on the next working day from the date of sending the e-mail; if the notices and letters are delivered by personal service (including express mail), the date of receipt shall be the date of receipt by the Receiving Party.

2.6 Both parties agree that the following email address is the designated contact information. Both parties shall communicate with each other on the specific implementation of the matters agreed herein. During the period when the Particular Terms and Conditions are not signed, both parties can conduct cooperation according to the cooperation standards agreed by the above-mentioned contact persons through the agreed mailbox, and the content expression (without changing the substance of the Agreement) can be used as the basis for both parties to implement the Agreement, specifically as follows:

E-mail with suffix of @bsacme.com designated by Party A (or mailbox) shall serve as the contact information for both parties to notify each other and confirm the content;

E-mail with suffix of @alibaba-inc.com designated by Party B shall serve as the contact information for both parties to notify each other and confirm the content;

If the contact information changes within the validity period of cooperation, the other party shall be notified in time. Otherwise, any loss caused by failure to notify in time shall be borne by the party who is indolent to notify the other party.

2.7 Party A shall not disseminate remarks detrimental to Party B and its affiliates, as well as the Intelligent Marketing Platform of Alibaba Intelligent Information Business Group, and otherwise Party A agrees that Party B has the right to punish Party A by reward deduction and even terminate the cooperation with Party A under serious circumstances.

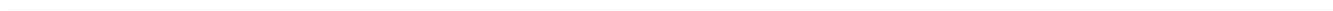
2.8 Party A and its related parties know and agree that Party B has the right to adjust the current platform name (referring to “Intelligent Marketing Platform of Alibaba Intelligent Information Business Group” or “Alibaba Intelligent Marketing Platform”). If Party B adjusts the platform name, it does not need to notify Party A and its related parties separately. The name of Party B’s Platform shall be subject to Party B’s publicity or notice. The change to the name of Party B’s Platform does not affect the rights and obligations of both parties under the original platform name, and Party A shall still abide by the original platform management system and rules.

2.9 The Agreement shall be valid from [January] [1], [2022] to [December] [31], [2022].

2.10 In the event of any conflict between the Particular Terms and Conditions for Agency and the General Terms in terms of application hereunder, the provisions of the Particular Terms and Conditions for Agency shall prevail.

2.11 The Agreement shall come into force after being sealed by both parties. The text of the Agreement shall be made in duplicate, each of which shall be held by each party.

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**Party A: Beijing Baosheng Technology Co., Ltd.**

**Party B: Guangzhou Juyao  
Information Technology Co., Ltd.**

(Seal)

(Seal)

Date of signing: YY/MM/DD

Annex: Scanned copy of Party A's business license (stamped with the official seal of Party A)

# Alibaba Intelligent Marketing Platform

## Cooperation Agreement

### (Service Agent Terms)

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Party A: Beijing Baosheng Technology Co., Ltd.

Party B: Guangzhou Juyao Information Technology Co., Ltd.

Place of signing: Tianhe District, Guangzhou

Date of signing: [January].[1].[2022]

**Information of Party A and Party B**

Party B: Guangzhou Juyao Information Technology Co., Ltd.

Legal representative: Yang Huaiyuan

Unified social credit code:

Contact person: Yang Man

Tel:

Contract mailing address:

Recipient: Chen Yizhu

Tel:

Party B: Beijing Baosheng Technology Co., Ltd.

Legal representative: Zhong Wenxiu

Unified social credit code:

Contact person: Cai Zilong

Tel:

Contract mailing address:

Recipient: Cai Zilong

Tel:

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# Service Agent Terms

After equal and friendly negotiation, Party A and Party B have agreed on the following terms and conditions concerning cooperation matters about Party B's provision of technical services for Party A for mutual compliance.

The Alibaba Intelligent Marketing Platform Cooperation Agreement - Service Agency Terms contain the basic clauses based on which both parties conduct technical cooperation in which Party A's customers entrust Party B to perform account maintenance and optimization so as to better serve Party A's customers, improve the push effect of Party A's customers on Party A's platform. Both parties agree that Party A shall provide services for Party A's customers through its website or software system; Party B is authorized by Party A's customers and provides account maintenance services as required by Party A. Party A shall pay technical service fees to Party B and handle other related cooperation matters **as agreed by both parties**.

In the Agreement, either party may be referred to as "the party", and Party A and Party B collectively referred to as "both parties".

## I. Definitions and Interpretation

- 1.1. Partner: The partners mentioned in the Agreement are Party A and Party B.
  - 1.2. Service agent: Also called "service provider", it refers to the main body of the company that provides services such as promotion account optimization, material production and uploading for Party A's customers in its own name with the consent of Party A and its customers according to the requirements and authorization of Party A's customers. In the Agreement, it refers to Party B.
  - 1.3. Party A's software system (referred to as "Party A's System"):  
It refers to the network technology software system developed and operated by Party a or its related parties, through which Party A's customers or Party B authorized by them can directly upload designated information; at the same time, the functions of the system also include statistical management of the number of clicks and views assuming that the designated information of Party A's customers can be finally clicked and viewed by users.
  - 1.4. Party A's service platform (referred to as "Party A's Platform"):  
It refers to the client software or platform (including the released retrospective versions and versions to be released in the future) which is configured and applied to Android, IOS and other mobile terminal operating platforms and owned by Party A or its related parties according to law or based on cooperation between Party B and other third parties as well as the related websites (hereinafter referred to as "Party A's Website") which Party A has right to operate.
  - 1.5. Designated information:
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It refers to the information content maintained, uploaded or provided by Party B as authorized by Party A's customers upon confirmation by the latter, including but not limited to links, text descriptions, pictures and videos, as well as pages appearing after clicking.

1.6. Service fee:

It refers to technical service fee that Party A shall pay to Party B for using the services provided by Party B as listed in the Agreement, which may be referred to as "service fee" herein.

1.7. Party A's customers/Customers:

They refer to the civil and commercial subjects that push advertisements or submit promotion needs through Party A's System, including advertisers and advertisers' agents.

## **II. Contents and Methods of Cooperation**

2.1. The Agreement shall be valid from [January] [1], [2022] to [December] [31], [2022].

2.2. Party A and Party B confirm that after Party A obtains written or e-mail confirmation from its customers, Party B shall maintain the advertising push account as required by Party A targeting matters entrusted by Party A's customers. Party B will provide services according to the operation of Party A's customers in Party A's System, and enable the designated keywords and designated information of Party A's customers to be displayed in the foreground, or information to be dynamically collected, processed, stored, retrieved and calculated according to certain rules, and data processing results to be obtained. The use requirements of Party A's System should be met at the same time.

2.3. All designated information uploaded by Party B on Party A's System/Platform/Website shall comply with current laws and regulations of China, and there shall be no infringement of the legal rights of other third parties.

2.4. The above designated information shall be approved by Party A before it can be displayed or optimized by services. Once approved, the designated information shall not be modified or changed at will.

2.5. For Party B or Party A's customer who need to use Party A's System, if Party B or Party A's customer registers itself through Party A's System and becomes a registered user of the system, Party B can independently operate the designated keywords and designated information through Party A's System. The operation of Party B shall comply with the specification requirements of Party A and the requirements of laws, regulations and policies. Party B shall keep secret its user name and password for login of Party A's System and shall not disclose them to a third party. If Party B improperly keeps its account, the losses caused thereby shall be borne by Party B.

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- 2.6. Party A and Party B confirm that all statistical data hereunder (including but not limited to PV, UV, cooperation income, clicks and downloads of released information) shall be subject to Party A's statistical methods and results, unless a third-party data monitoring company is designated to provide statistical data services of push or otherwise agreed by both parties. Party A's System enables balance enquiry via accounts of Party A's customers, and Party B can inquire relevant data in real time through Party A's System Platform upon acquisition of authorization by Party A's customers. At the same time, Party A guarantees the objectivity and truthfulness of the statistical data.
- 2.7. If Party B has any objection to the statistical data, it shall raise a written objection to such data in the previous month before the first three working days of the next month, and both parties shall jointly confirm the data. If Party B does not raise a written objection during the aforesaid period, it shall be deemed that Party B has accepted Party A's statistical data on clicks of last month and that Party A is qualified to perform the service of last month.
- 2.8. If Party B wants to cooperate with Party A and/or its affiliates in any business agency other than service agency, it may sign an agency cooperation agreement separately upon consent of Party A and/or its affiliates, and Party B shall provide services as entrusted by Party A's customers.

### **III. Special Agreement on Rights and Obligations**

- 3.1. Representations and warranties of Party A and Party B for qualification
- 3.1.1. Both parties guarantee that it is an independent legal person legally incorporated and validly existing in accordance with the relevant laws of the People's Republic of China, and meanwhile fully enjoys the legal capacity for civil rights and civil conduct, which is sufficient to enable it to exercise its rights and perform its obligations hereunder. Meanwhile, when both parties exercise their rights or perform their obligations hereunder, their actions will not violate any restrictions of applicable laws binding on them, nor will they infringe on the legitimate rights and interests of any third party outside the Agreement;
- 3.1.2. The legal representatives or authorized agents of both parties have obtained full and complete legal qualifications or authorization to sign the Agreement on behalf of their respective legal organizations;
- 3.1.3. Party B shall inform Party A before changing its equity, company name, legal representative, directors, supervisors and core executives, and Party A has the right to judge whether the above changes have a significant impact on this cooperation and decide whether to continue cooperation. If Party B fails to inform Party A of the above changes in advance, Party A has the right to terminate the cooperation and cancel Party B's service authority.
- 3.2. Party B confirms that Party B shall obtain authorization and entrustment from Party A's customers in advance, and shall timely provide Party A with the account that is set up and operated by Party B on behalf of Party A's customers after obtaining authorization. Party A shall notify Party B of the designated sub-account information, service requirements and
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related materials by e-mail, and Party B shall accept such notification methods and execute them in accordance with Party A's notification.

- 3.3. Party B undertakes to complete the following optimization and maintenance work of the designated advertising push account in strict accordance with the requirements of Party A's customers and Party A's System:
    - 3.3.1 According to the requirements of Party A's customers, operate the advertising materials through Party A's Service Platform, and complete the modification, uploading and deletion of advertising materials;
    - 3.3.2 For all advertising materials operated by Party B, set the push plan and keywords accurately and reasonably through Party A's Service Platform, and complete data statistics, including but not limited to keyword-based bidding and target selection.
    - 3.3.3 Other account maintenance, management and optimization services entrusted by Party A's customers.
  - 3.4. Party B guarantees that such information resources as text, pictures, videos or links provided by it does not contain any content that violates relevant national laws, regulations, policies, notices, directives and international treaties recognized or acceded to by the People's Republic of China, including but not limited to contents that endanger national security, have attributes of obscenity, falsehood, fraud, insult, slander, intimidation or harassment, infringe on or are suspected of infringing on intellectual property rights, personal rights or other legitimate rights and interests of others, and violate public order and good customs.
  - 3.5. Party B's information shall not involve any content in violation of laws and public order and good customs, including but not limited to:
    - 3.5.1 Endangering national security, revealing state secrets, subverting state power, undermining national unity, and damaging national honor and interests;
    - 3.5.2 Inciting national hatred or discrimination and undermining national unity;
    - 3.5.3 Destroying national religious policy and propagating heresy and feudal superstitions;
    - 3.5.4 Spreading rumors, disturbing social order and undermining social stability;
    - 3.5.5 Spreading obscenity, pornography, gambling, violence, murder, terror or abetting crimes;
    - 3.5.6 Insulting or slandering others and infringing on legitimate rights and interests of others;
    - 3.5.7 Web pages or software content containing viruses or other malicious fee deduction codes;If Party B violates this clause, Party A has the right to refuse to display or delete such information at any time after display, will not display all the information submitted by Party B through system settings, and has the right to unilaterally terminate the Agreement. Termination of the Agreement does not exempt Party B from paying liquidated damages or assuming the obligation of compensation for losses to Party A, and Party A has the right to deduct the aforesaid amount from the amount payable to Party B.
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- 3.6. Party B understands and undertakes that any disputes, objections, disputes, requests, demands or appeals between Party A and the customer based on the transactions hereunder due to Party B shall be settled by Party B and the customer, and Party B shall exempt Party A from all responsibilities, including but not limited to tort compensation, compensation for overdue payment, etc.
  - 3.7. Party A has the right to review the information content and form and qualification of relevant documents provided by Party B. In case any non-compliance with laws and regulations is found or Party A has reason to believe that the content display will bring adverse effects to Party A, Party A has the right to demand Party B to revise the content within 3 days after receiving the written (including e-mail) modification notice from Party A; Party A has the right to refuse to display the content before Party B modifies it according to Party A's requirements, and Party A shall not bear any responsibility for the service delay caused thereby. If the normal development of Party A's business is affected due to Party B's refusal to modify the content or content modification beyond the time limit, Party A has the right to unilaterally terminate the Agreement and demand Party B to compensate it for all economic losses incurred during the delay period.
  - 3.8. If Party A or its customer needs to modify or replace the designated information, Party B shall complete the modification or replacement within the time according to Party A's written or systematic notice. The new designated information can only replace the original information after being approved by Party A. If the designated information is modified or replaced without Party A's review, Party B shall be deemed as breaching the Agreement and shall be handled in accordance with the terms of liability for breach of contract herein.
  - 3.9. If the third party complains to Party A that the designated information content and the products/services corresponding to the linked pages are illegal or fraudulent and provide legal basis, Party A has the right to immediately make offline or delete concerned products or pages. Meanwhile, Party A will suspend providing services agreed herein. Both parties also confirm that if the complaint by a third party is established, Party A is not required to pay the remaining service fee to Party B. If the relevant contents are provided by Party B without authorization, Party B shall bear all the responsibilities arising therefrom and be responsible for compensating Party A for all the losses arising therefrom.
  - 3.10. Party A's approval of the information content of Party B does not exempt Party B from assuming its due responsibilities while its qualification or content violates relevant laws and regulations.
  - 3.11. In the case that the technical service fee is calculated for a fixed time, if wrong broadcasting or missed broadcasting is caused by Party B, Party B shall provide Party A with supplementary services according to the principle of two supplementary service items per missed broadcasting.
  - 3.12. Restriction on the transfer of rights and obligations and prohibitive agreement on fraudulent performance
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3.12.1 The rights and obligations hereunder shall not be transferred unilaterally by either party in any way unless subject to legal conditions or agreed by both parties in writing;

3.12.2 Both parties hereto shall not damage the interests of users and mutual reputation by fraud and other improper means, and are strictly forbidden to deliberately increase or decrease the clicks or visits by various malicious means for the purpose of obtaining illegitimate benefits. Once found, the act will be deemed as fraudulent performance of the Agreement, and the non-responsible party has the right to terminate the Agreement immediately and unconditionally, and submit it to the national public prosecution organ for judicial handling.

3.13. Both parties undertake to abide by the applicable laws and regulations on protecting personal information and privacy and freedom of correspondence and ensuring the safe operation of the network. Party B undertakes in terms of the transmission of personal information as required for performance of the Agreement:

(1) Personal information has been de-identified in accordance with the requirements of applicable information protection laws before transmission;

(2) The transmitted personal information is complete, accurate and up-to-date;

(3) The transmitted personal information has been provided with security measures such as encryption;

(4) When collecting personal information, it has fulfilled its obligation to inform the subject of personal information in accordance with the requirements of applicable information protection laws, and has obtained the authorization of the subject of personal information to process personal information under the Agreement and provide personal information for Party A; if it involves obtaining personal information from a third party, Party B undertakes to ensure that the third party has fulfilled the above notification and authorization requirements. Party B will provide written proof of such authorization as requested by Party A;

(5) When transmitting personal information to Party A, it has implemented the provisions of applicable laws and the security measures required by Party A;

(6) It undertakes not to transmit personal information collected in violation of applicable information protection laws or without the authorization of the corresponding subject of personal information to Party A.

3.14. Party B undertakes not to crack Party A's data or data analysis results by means such as reverse engineering, decompilation or disassembly, or attempt to track, locate or reversely infer the specific user or users' personal information by other means; all data and information obtained through this cooperation will only be used for the purposes, methods and scope described in the Agreement or other written requirements of both parties, and will not be used for other purposes without written authorization of the other party.

3.15 Both parties undertake that the data obtained in this cooperation will not be transferred across borders to countries and regions outside the People's Republic of China.

#### **IV. Settlement Terms**

4.1. Both parties agree that the settlement data in the Order Contract shall be based on the statistical platform data of Party A. Party A shall ensure the truthfulness and legality of the statistical

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data. If Party A or Party B has any objection to the statistical data, it shall raise a written objection to such data in the previous month before the first three working days of the next month. If Party B does not raise a written objection during the aforesaid period, it shall be deemed that both parties have accepted Party A's statistical data on clicks and that Party A is qualified to perform the service. Data objection does not affect the settlement and payment of the non-objection part.

- 4.2. If the error of objection data between both parties does not exceed 5%, the statistical data of Party A shall prevail. If the error of objection data exceeds 5%, both parties shall jointly find out the reasons for the data objection, and negotiate solutions through mutual understanding and accommodation according to the actual reasons. If the reasons cannot be found out, both parties can negotiate a compromise plan. Party A will pay the service fee to Party B according to the quarterly consumption amount and product line of the sub-account maintained by Party B according to the service provider policy, and the specific content shall be subject to the service provider policy confirmed by Party A in writing or by e-mail. Party B shall issue a valid VAT invoice with a tax rate of 6% to Party A in time 10 working days before Party A makes payment. Party A's invoicing information is as follows:  
Name: [Guangzhou Juyao Information Technology Co., Ltd.]  
Opening bank and account No.:  
Taxpayer identification No.:  
Address and Tel:

4.3. Account information of Party B:

Account holder: Beijing Baosheng Technology Co., Ltd.  
Opening bank:  
Account No.:

## **V. Limitation of Liability**

- 5.1. Party B shall bear all the compensation liabilities for the losses caused by Party A and/or other relevant third parties (including but not limited to compensation, legal fees, attorney fees, notarial fees, etc.) that must be paid according to law due to Party B's violation of the Agreement. Party A has the right to cancel Party B's account in Party A's system at any time after Party A and Party B agree that the above situation occurs, and has the right to deduct the above expenses and/or damages from the amount paid and to be paid by Party A or the amount to be paid by Party B.. Party B shall bear all the compensation liabilities for the losses that Party A and (or) other relevant third parties suffer (including but not limited to compensation, legal fees, attorney fees, notarial fees, etc. that must be paid according to law) due to Party B's violation of the Agreement. Both parties agree that Party A has the right to cancel Party B's account in Party A's System at any time after the above situation occurs, and deduct the above
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expenses and/or loss compensation from the amount already paid and to be paid by Party A or the amount to be paid by Party B.

- 5.2. In order to protect the rights and interests of both parties, Party A may suspend the provision of services while discovering abnormalities in the information contents and accounts of Party A or the customer.
  - 5.3. If the above-mentioned third party that complains that the designated information content and the products/services corresponding to the linked pages are illegal or fraudulent and provide legal basis requests Party A to disclose the basic information of Party A, Party B and the customer according to laws, regulations and policies of the competent authority, including and only including name, address and contact information, Party B will accept that Party A's disclosure does not violate the confidentiality clause of the Agreement. If the competent administrative authority and judicial organ demand Party A to disclose information beyond the above scope, Party A will not violate the relevant confidentiality clause of the Agreement.
  - 5.4. Party A will provide corresponding security measures using existing technology to ensure the safe and normal provision of service. However, due to possible computer viruses, network communication failures, system maintenance and other factors and possible force majeure events, Party A cannot guarantee the absolute security of the service and normal provision of service under any conditions. Party B shall understand it and shall not require Party A to bear the responsibility under the following circumstances:
    - (1) System downtime maintenance;
    - (2) Failure of service equipment, communication or any equipment to transmit data or delay, inaccuracy, error, omission, etc.;
    - (3) Due to force majeure factors such as typhoon, earthquake, tsunami, flood, power outage, war, terrorist attack, etc., it is impossible to carry out business due to system obstacles;
    - (4) Service interruption or delay due to hacker attack, technical adjustment or failure of telecommunications sector, website upgrade, third-party problems, etc.;
    - (5) Failure to serve or delay in service caused by government actions and orders of international and domestic courts.
  - 5.5. Party B confirms that its behavior of providing services is made based on its independent judgment at its own risk. Party B shall be solely responsible for the loss (if any) that may be caused by the loss of its computer system or data.
  - 5.6. Party B agrees that Party A shall not assume any responsibility under any of the following circumstances:
    - (1) Failure to provide the service not because of the intention or negligence of Party A;
    - (2) Party A, Party B and/or any third party suffer losses due to Party B's intention or negligence;
    - (3) Party B violates the Agreement or Party A's system rules. The system rules include the rules listed in the Annex I hereto Rules for Judging Violations of Alibaba Intelligent Marketing Platform and Measures for Handling Violations and the express operation specifications in Party A's System.
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- 5.7. Party B is fully responsible for the authenticity, legality, accuracy, and integrity of intellectual property rights and other rights of the network information, designated information content and the goods/services corresponding to the information (if any), so Party B shall independently assume the audit responsibility for the above matters. Party B shall be fully responsible for any disputes, complaints or government penalties arising from the above matters. If Party A first pays compensation or fine, Party B shall make full compensation for Party A's losses (including but not limited to the fines imposed by administrative law enforcement departments, compensation, legal fees, attorney fees, notarial fees, etc. that must be paid by according to law) within 15 working days. If the relevant liability is caused by Party A, Party B has the right to claim compensation from Party A after assuming the liability.
- 5.8. Party A guarantees that its intellectual property rights, operation rights and other rights over Party A's Platform, Party A's System and Party A's Website comply with relevant national laws and regulations, and do not infringe upon the legitimate rights and interests of any subject.

## **VI. Agreement Responsibility**

### **6.1. Liability for negligence in contracting**

Both parties hereto guarantee that they are legally qualified to engage in the cooperation hereunder and that they are not in breach of the representations and warranties for qualification under Clause 3.1 hereof. In case of contracting negligence or invalidation of the contract due to the disqualification of the subject of the Agreement, the qualified party has the right to unilaterally terminate the Agreement upon written notice, and pursue civil liability against the disqualified party for the actual losses caused by the latter's contracting negligence.

- 6.2. If the contents, information or supporting documents submitted by Party A, Party B or customers involve false propaganda or other violations of relevant laws and regulations, Party A has the right to unilaterally terminate the Agreement, and has the right to require the provider of the aforesaid materials to compensate Party A for all economic losses caused thereby.

- 6.3. If Party B violates regulations in the process of providing services, it shall be punished by Party A according to the Rules for Judging Violations of Alibaba Intelligent Marketing Platform and Measures for Handling Violations. For the definition of violations, please refer to the Rules for Judging Violations of Alibaba Intelligent Marketing Platform and Measures for Handling Violations (Annex I).

### **6.4. Liability for breach of confidentiality obligation**

On the premise of ensuring the integrity and legality of the right to disclose confidential information to the Receiving Party, if the Disclosing Party suffers losses due to the Receiving Party's refusal to perform its confidentiality obligations hereunder or implements the prohibitive clauses in 6.5, the Receiving Party shall bear the liability for compensation to the Disclosing Party, and the amount of compensation shall be limited to the actual loss of the Disclosing Party. If the Receiving Party's behavior is seriously negligent or intentional, resulting in serious consequences of leaking secrets, the Disclosing Party has the right to

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directly pursue the legal responsibility of the Receiving Party to the public prosecution organ through judicial channels.

6.5. Party B shall sign and accept the Agreement Letter of Integrity and Honesty (Annex), and shall neither provide any form of illegitimate interests for the employees, consultants and close relatives of employees or consultants of Party B and its affiliates, or conduct other acts that violate the contents of the Agreement Letter of Integrity and Honesty. Otherwise, Party B agrees that Party A has the right to terminate the Agreement immediately, and Party B shall bear the liability for breach of contract to Party A by (a) taking 30% of all expenses already paid to it by Party A under the Agreement as liquidated damages; or (b) providing the total amount of any form of illegitimate interests as liquidated damages, whichever is higher.

6.6. Liability for breach of contract in defective performance of payment obligation

In case both parties have agreed on the payment date and payment days, after Party A provides Party B with the technical services hereunder, if Party B refuses to punctually perform or delays its performance of its obligations to Party A, Party A has the right to demand Party B to correct the defective performance behavior and pursue liquidated damages against Party B at 5 % of the total amount due to be settled in the current month per day. If Party B has defective performance for ten (10) days, Party A has the right to unilaterally terminate the performance under the Agreement and refuse to pay any money to Party B.

6.7. Other liability clauses as agreed in other provisions hereof.

## **VII. Confidentiality and Website System Security**

7.1. The confidential information involved in the Agreement mainly specifies the following contents

- 7.1.1 Management information, including but not limited to: business planning and plan, production and operation performance and financial data, existing and expected customer and supplier information, financial information, human resources data, business operation documents, and other similar information;
  - 7.1.2 Technical information, including but not limited to: know-how and ideas, design, process flow, technology and integration scheme, implementation plan, consulting report, computer program (including source program and object code), and other similar information;
  - 7.1.3 Information provided by both parties in order to realize the purpose of the contract in the early stage of or during the cooperation, including but not limited to: cooperation contract, agreement, meeting minutes, overall implementation and process details of the project (including but not limited to: all the information learned by the customer through the inquiry channel of Party A), and other similar information.
  - 7.1.4 Other confidential information indicated in a certain form.
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7.2. The following information will not be regarded as confidential information

- 7.2.1 Information that is known to the public when it is obtained.
- 7.2.2 Information that is known to the public on the Receiving Party's part after being obtained.
- 7.2.3 Express information obtained from a third party with legal rights, without the obligation to keep it confidential.

7.3. Release of confidentiality obligation

- 7.3.1 The information has been or will be made available to the public for reasons not attributable to the Receiving Party.
- 7.3.2 The Disclosing Party provides the information to a third party without requiring the latter to perform the confidentiality obligation.
- 7.3.3 There is objective evidence that the Receiving Party has known or obtained the information transmitted by the Disclosing Party before accepting such information. Or the Receiving Party has independently developed in this respect by relying on persons who do not have direct or indirect access to the confidential information provided by the Disclosing Party.
- 7.3.4 It is impossible to continue confidentiality due to the compulsory order or execution of the administrative organ or judicial organ. If the Receiving Party is unable to notify the Disclosing Party before or when the information is forced to be disclosed, it shall give the Disclosing Party a timely and reasonable written notice after the forced disclosure.
- 7.3.5 The legal conditions for discharging the confidentiality obligation have been met.

7.4. Right statement of the Disclosing Party

The Disclosing Party shall guarantee the accuracy and completeness of the confidential information that it discloses to the Receiving Party. The Disclosing Party has the complete and lawful right to disclose part or all of the confidential information to the Receiving Party.

7.5. Right exercise and confidentiality obligation of the Receiving Party

The Receiving Party has the right to authorize employees (including but not limited to employees of its branches) who are required to know the confidential information due to business needs to use and access to such information. In addition, such employees know and agree to comply with the relevant provisions of the Agreement. It is sufficient for employees to comply with all the terms of the Agreement by performing an appropriate written agreement between them and the Receiving Party. Without the prior written authorization or consent of the Disclosing Party, the Receiving Party shall not:

- 7.5.1 Disclose any confidential information to any third party;
- 7.5.2 Use confidential information for the benefit of a third party;
- 7.5.3 Use confidential information for purposes other than those hereunder.

7.6. Statement of collateral obligations

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This confidentiality obligation is a statutory collateral obligation for the performance of the Agreement. After the completion and termination of the Agreement, the obligations involved in the above confidentiality clauses shall not be exempted by the termination of the Agreement except in accordance with the terms and conditions of Clause 6.3.

7.7. System security:

Party A and Party B shall ensure the security of their own website and the customer's website and system operation, and the transmitted information shall not contain any malicious codes and programs, will not affect the normal operation of the website system and will not infringe on the legitimate rights and interests of users and customers.

## **VIII. Termination Clause**

8.1. Both parties agree that either party may terminate the cooperation in advance in writing if it completes the following matters:

8.1.1 Both parties confirm that the cooperation on each platform has been completed;

8.1.2 The financial settlement of transactions is completed.

8.2. Both parties agree that either party has the right to terminate the contract by giving a written notice to the other party under any of the following circumstances:

8.2.1 If either party goes bankrupt or enters bankruptcy liquidation procedure, the procedure has not been revoked within 14 natural days;

8.2.2 The revocation, revocation of business license and dissolution of either party's subject;

8.2.3 Either party is unable to continue to perform the Agreement due to force majeure events;

8.2.4 Party A fails to pay the service payment in full and on time within the payment time agreed by both parties, and fails to pay the service fee in full after being urged by Party B;

8.2.5 Party A may notify the other party by e-mail seven working days in advance according to its own business needs to terminate the Agreement, which is not regarded as a breach of contract. If the Agreement is terminated, in order to protect the interests of the customer, if the customer still has unconsumed prepayment, the unconsumed amount shall be postponed for consumption until it is consumed. Or Party A may receive a refund according to its refund process;

8.2.6 The business agent/service provider signs the cooperation access document with Party A before formal cooperation (agreement on relevant cooperation preconditions), and the commercial agent/service provider fails to meet the conditions and standards agreed in the access document;

8.2.7 The business agent/service provider has chosen to accept the assessment by Party A and fails to pay the deposit (if any) in full and on time according to the assessment rules, or Party A fails to meet the assessment standards, seriously violates regulations or suffers major complaints, etc.;

8.2.8 The business agent/service provider transfers any rights and obligations hereunder

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to a third party in any form without the written consent of Party A;

8.2.9 The business agent/service provider uses the brand, trademark and enterprise name of Party A and its affiliates fraudulently or beyond the scope as agreed in the Agreement, or Party A and its affiliates suffer from goodwill loss due to the business agent/service provider's promotion in violation of laws and regulations;

8.2.10 Other termination matters agreed herein.

## **IX. Miscellaneous**

- 9.1. Party B agrees to abide by the relevant rules concerning services published and updated by Party A from time to time through its system, including but not limited to information uploading, click statistics management, etc.
  - 9.2. During the validity of the Agreement, either party shall not use the other party's brand and logo without authorization except as expressly stipulated in the Agreement. After the termination of the Agreement, neither party shall use the other party's brand and logo for any commercial purpose without authorization.
  - 9.3. The entry into force, interpretation, execution, jurisdiction and dispute settlement of the Agreement shall be governed by the laws of the Mainland of the People's Republic of China. Any dispute arising from or in connection with the Agreement shall be under the jurisdiction of Tianhe District People's Court of Guangzhou of the place where the Contract is signed.
  - 9.4. Any notices and written letters between the parties must be in Chinese and sent by e-mail, fax, personal service (including express mail) or registered mail to the mailing address specified in the first part of the Agreement.
  - 9.5. If the notices and letters are delivered by facsimile, the date of receipt shall be the exact time shown in the facsimile transmission record; provided that if the fax is sent after five (5) pm on that day, or the time of the place of the Receiving Party is not a working day, the date of receipt shall be the working day following the time of the place of the Receiving Party; if the notices and letters are delivered by e-mail, they shall be deemed to have been served on the next working day from the date of sending the e-mail; if the notices and letters are delivered by personal service (including express mail), the date of receipt shall be the date of receipt by the Receiving Party.
  - 9.6. Party B and its related parties know and agree that Party A has the right to adjust the current platform name (referring to "Intelligent Marketing Platform of Alibaba Intelligent Information Business Group" or "Alibaba Intelligent Marketing Platform"). If Party A adjusts the platform name, it does not need to notify Party B and its related parties separately. The name of Party A's Platform shall be subject to Party A's publicity or notice. The change to the name of Party A's Platform does not affect the rights and obligations of both parties under the original platform name, and Party B shall still abide by the original platform management system and rules.
  - 9.7. Both parties agree that the following email address is the designated contact information. Both parties shall communicate with each other on the specific implementation of the matters agreed herein. During the period when the Particular Terms and Conditions are not signed, both parties can conduct cooperation according
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to the cooperation standards agreed by the above-mentioned contact persons through the agreed mailbox, and the content expression (without changing the substance of the Agreement) can be used as the basis for both parties to implement the Agreement, specifically as follows: E-mail with suffix of [@alibaba-inc.com](mailto:@alibaba-inc.com) designated by Party A shall serve as the contact information for both parties to notify each other and confirm the content;

E-mail with suffix of [bsacme.com](mailto:bsacme.com) designated by Party B (or mailbox) shall serve as the contact information for both parties to notify each other and confirm the content;

If the contact information changes within the validity period of cooperation, the other party shall be notified in time. Otherwise, any loss caused by failure to notify in time shall be borne by the party who is indolent to notify the other party.

- 9.8. The annexes hereto constitute an integral part of the Agreement and have the same legal effect as the text of the Agreement. In case of any inconsistency between the contents of the annexes and the text of the Agreement, the text of the Agreement shall prevail. The annexes hereto include:

Annex I: Management Measures for KA Agents of Alibaba Intelligent Marketing Platform

Annex II: Agreement Letter of Integrity and Honesty

Annex III: Scanned copy of Party B's business license (stamped with the official seal of Party B)

- 9.9. The Agreement shall come into force after being sealed by both parties. The text of the Agreement shall be made in duplicate, each of which shall be held by each party.

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**Party A: Beijing Baosheng Technology Co., Ltd.**

**Party B: Guangzhou Juyao Information Technology Co., Ltd.**

**(Seal)**

**(Seal)**

**Date of signing: January 1, 2022**

Annex I: Management Measures for KA Agents of Alibaba Intelligent Marketing Platform

Annex II: Agreement Letter of Integrity and Honesty

Annex III: Scanned copy of Party B's business license (stamped with the official seal of Party B)

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# Supplementary Agreement

Party A: Beijing Baosheng Technology Co., Ltd.

Party B: Guangzhou Juyao Information Technology Co., Ltd.

Based on the principle of mutual benefit and reciprocity, both parties sign the Agreement on the relevant provisions of rewards through friendly negotiation:

## Article 1: Supplementary content

### 1.1 Reward

Both parties agree that the rewards paid by Party B to Party A under the original agreement are the sales discounts provided by Party B based on the actual accumulated consumption amount of Party A.

### 1.2 Invoicing

After both parties jointly confirm the discount amount, Party A shall issue the Red Letter VAT Special Invoice Information Form (hereinafter referred to as the Information Form) to Party B in time, and Party B shall issue the Red Letter VAT Special Invoice to Party A after receiving the Information Form and confirming it is correct.

1.3 Other contents of the original agreement remain unchanged.

## Article 2 Signature and others

2.1 In case of any inconsistency between the Agreement and the original agreement, the Agreement shall prevail; any matters not agreed herein shall be implemented according to the original agreement.

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2.2 The Agreement shall come into force after both parties affix their legal seals and be made in duplicate. Each copy has the same legal effect and is held by each party.

**Party A: Beijing Baosheng Technology Co., Ltd.**

**Party B: Guangzhou Juyao Information Technology Co., Ltd.**

**Seal:**

**Seal:**

**Date of signing:**

**Date of signing: January 24, 2022**

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## Channel Cooperation Agreement

Party A: Horgos Zhijian Tiancheng Technology Co., Ltd.

Legal representative: Bao Jing

Contact person: Song Yu      Tel:

E-mail:

Address: Room 310, Block C, Yonghe Building, No. 28 Andingmen East Street, Dongcheng District, Beijing

Party B: Baosheng Technology (Horgos) Co., Ltd.

Legal representative: Mi Shasha

Contact person: Liang Shurui      Tel: 17319184581

E-mail: lsr@bsacme.com

Address: F15, Block B, Yonghe Building, No. 28 Andingmen East Street, Dongcheng District, Beijing

According to the Civil Code of the People's Republic of China and other relevant regulations, the Agreement is concluded through negotiation between both parties regarding the entrustment of Party B to provide network information services for its customers by Party A:

### **Article 1 Subject matter of contract**

Party B entrusts Party A to provide network information services for its customers. The service media is Sogou, and the service period is from January 1, 2022 to December 31, 2022.

### **Article 2 Rights and obligations of both parties**

1. Sign a supplementary agreement after the media policy is released in 2022, and make up the rebate difference from January 1, 2022.

2. Party B shall ensure that its customers have legal eligibility and qualifications, and provide Party A with the qualifications, approval documents and other documents required by the media for the customers to operate their business. Party B shall ensure that the relevant qualification documents presented or provided to Party A are true, legal, sufficient and continuously valid.

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3. Party B shall ensure that the business engaged in by its customers does not violate the provisions of current laws and regulations, and the service content does not contain content that endangers national security, obscenity, falsehood, gambling, fraud, insult, slander, intimidation and other contents that violate the provisions of laws and regulations and violate public order and good customs.

4. Party B guarantees that Party A's use of the service contents provided by Party B and the website links and downloaded contents provided by Party B does not violate any laws and regulations and does not constitute an infringement of any rights of third parties, including but not limited to infringement of personal rights, copyright, reputation rights, portrait rights and/or other intellectual property rights of third parties, and will not make Party A or the media serving the contents specified by Party B bear any liability to any third party.

5. If a third party complains that the products or services corresponding to the service content of Party B's customers are illegal, Party A has the right to immediately remove or delete the relevant products or pages, and stop to provide network information services for Party B at the same time, so the losses incurred shall be borne by Party B. If Party A suffers from the claim of any third party or any administrative or judicial punishment, Party B shall compensate Party A for all losses, while Party A has the right to deduct the above compensation directly from Party B's prepaid service fees, and to reserve the right to terminate the Agreement at any time.

6. If Party A is fined by the media or suffers other losses due to Party B or Party B's final customer violating the media service policy, Party A's losses shall be borne by Party B.. Party B shall pay the corresponding amount to Party A within seven working days after Party A receives the media penalty notice.

7. Party A has the right to review the materials and service content submitted by Party B and decide whether to allow to provide services according to the media service policy. This audit is only a formal audit, which does not mean that Party A has the obligation to confirm or guarantee the authenticity and validity of service content. Moreover, Party B's guarantee responsibility for the authenticity and validity of business qualifications and service content will not be relieved because of Party A's audit, and all responsibilities and consequences arising therefrom shall still be borne by Party B.

### **Article 3 Fees and mode of payment**

1. Party B shall make a settlement in advance and pay full amount to Party A.

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2. The mode of settlement of the above expenses is telegraphic transfer, and the account information designated by Party A is as follows:

Account name: Horgos Zhijian Tiancheng Technology Co., Ltd.

Account number:

Opening bank:

3. Both parties confirm that the settlement basis is the backstage data of media service. If Party B disagrees with the settlement data, Party A shall assist Party B to ask the media company to give a reasonable explanation, and the final data shall be subject to the data confirmed by the media company.

4. If Party B fails to consume the pre-deposit in the account when the validity period of the contract expires, the unconsumed amount will not enjoy the settlement discount agreed herein. After the new policy of the service platform is issued in the following year, the settlement discount enjoyed by the unconsumed amount will be confirmed by both parties through separate negotiation.

## **5. Invoice**

5.1 According to the settlement amount, Party A shall issue VAT regular/special invoice after receiving the payment [invoice content: information service fees of \* information technology service \*, including 6% of tax point].

5.2 Party B shall provide billing information as follows:

Full name of the Company: Baosheng Technology (Horgos) Co., Ltd.

Taxpayer identification number:

Address and tel:

Opening bank and account number:

Invoice address:

## **Article 4 Breach clauses**

1. If Party B makes overdue payment, it shall not enjoy the settlement discount agreed herein, and Party A has the right to stop to provide service. For each day of overdue payment, Party B shall pay five over ten thousandth of the overdue payment to Party A as overdue penalty until the payment is paid off. During the overdue payment period, Party A has the

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right to suspend providing network information services for Party B. If Party B's overdue payment period exceeds 30 days, Party A has the right to unilaterally terminate this contract in advance and investigate Party B's liability for breach of contract. In addition, Party B shall also bear all the expenses paid by Party A for safeguarding rights (including but not limited to travel expenses, notarial fees, appraisal fees, audit fees, attorney fees, legal fees and other reasonable expenses).

2. If network information services agreed by both parties is not available at the agreed time due to Party A, Party A shall negotiate with the media company to provide compensation services for Party B's customers according to the standards of "one incorrect release and one makeup" and "one omission and one makeup".

3. For each network information service provided according to the service plan confirmed by Party B, if Party B unilaterally terminates the service without good reason during the service period, Party B agrees to pay relevant fees to Party A according to the implemented information service and bear all economic losses caused to Party A due to the termination of the service (including but not limited to the information service fees purchased by Party A from the media but not implemented).

4. In case of any dispute caused by Party B's violation of the warranty obligations agreed herein, Party B shall be responsible for resolving it. If Party B violates the above warranty obligations and causes Party A to suffer any losses, Party B shall bear all compensation responsibilities. Party A has the right to deduct the economic losses caused to Party A directly from the service fees prepaid by Party B, and Party A reserves the right to terminate the Agreement at any time.

#### **Article 5 Notice and delivery**

1. Unless otherwise agreed by both parties, the notices, documents and materials issued by both parties due to the conclusion and performance of the Agreement shall be delivered by mail or e-mail. If it is delivered by mail, it shall be deemed as delivery when it is delivered to the contact address of the other party; if it is delivered by e-mail, it shall be deemed as delivery when it is sent. If one party changes the service information, it shall notify the other party in writing three working days in advance. If any losses are caused by the failure to notify, the non-notifying party shall bear its own losses. The information delivered by both parties is as follows:

Party A: Horgos Zhijian Tiancheng Technology Co., Ltd.

Contact person: Song Yu

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Contact email:  
Tel:  
Address:  
Party B: Baosheng Technology (Horgos) Co., Ltd.  
Contact person:  
Contact email:  
Tel:  
Address:

2. Both parties designate the above-mentioned contact persons as their authorized representatives, and confirm that any service plan, customer qualification and service content related to the information service matters agreed hereunder shall be delivered to each other by their authorized representatives with the above-mentioned delivery method, which shall be regarded as the true intention of the party and shall be bound by the terms of the Agreement.

#### **Article 6 Miscellaneous**

1. If either party requests to terminate the Agreement in advance with good reason, both parties shall settle it through negotiation and sign a written supplementary agreement if necessary. The supplementary agreement has the same legal effect as the Agreement. In case of any inconsistency between the supplementary agreement and the Agreement, the supplementary agreement shall prevail; in case of not being specified in the supplementary agreement, the Agreement shall prevail.

2. Matters not covered herein shall be settled by both parties through friendly negotiation. If disputes arise within the scope of the Agreement, both parties shall try their best to settle them through negotiation. If negotiation fails, both parties agree to submit the disputes to the people's court where the plaintiff operates for litigation settlement.

3. The Agreement is made in duplicate, with each party holding one copy, which has the same legal effect.

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**Party A: Horgos Zhijian Tiancheng Technology Co., Ltd.**  
**Authorized representative: \_\_\_\_\_ (Signature or seal)**  
**Date: January 1, 2022**

**Party B:**  
**Authorized representative: \_\_\_\_\_ (Signature or seal)**  
**Date: January 1, 2022**

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## Advertising Services Agreement

The Contract is signed by the following parties in Haidian District, Beijing on January 1, 2022:

Party A: Beijing Kaikaiba Technology Co., Ltd.

Registered address: No. 201, F2, Building 40, Courtyard 8, Dongbeiwang West Road, Haidian District, Beijing

Domicile: No. 201, F2, Building 40, Courtyard 8, Dongbeiwang West Road, Haidian District, Beijing

Party B: Beijing Midui Education Technology Co., Ltd.

Registered address: No.104, F1, Building 41, Courtyard 8, Dongbeiwang West Road, Haidian District, Beijing

Domicile: No.104, F1, Building 41, Courtyard 8, Dongbeiwang West Road, Haidian District, Beijing

Party C: Hangzhou Kaikeba Technology Co., Ltd.

Registered address: Room 1401, F14, Building 6, Euro America Financial City, Cangqian Street, Yuhang District, Hangzhou City, Zhejiang Province

Domicile: Room 1401, F14, Building 6, Euro America Financial City, Cangqian Street, Yuhang District, Hangzhou City, Zhejiang Province

Party D: Beijing Baosheng Network Technology Co., Ltd.

Registered address: Room A-2252, F2, Building 3, Courtyard 30, Shixing Avenue, Shijingshan District, Beijing (Cluster Registration)

Address: F15, Block B, Yonghe Building, No. 28 Andingmen East Street, Dongcheng District, Beijing

Whereas: Party D is the authorized agent of Tencent enterprise services of Beijing Tencent Culture Media Co., Ltd. (hereinafter referred to as "Tencent"), the authorized agent of giant engine enterprise services of Beijing ByteDance Technology Co., Ltd. (hereinafter referred to as "Toutiao"), and the authorized agent of Kuaishou enterprise services of Beijing Kuaishou Advertising Co., Ltd. (hereinafter referred to as "Kuaishou"), and provides Tencent/Toutiao platform enterprise promotion service for Party A Beijing Kaikaiba Technology Co., Ltd., Party B Beijing Midui Education Technology Co., Ltd. and Party C Hangzhou Kaikaiba Technology Co., Ltd..

In the Contract, Party A Beijing Kaikaiba Technology Co., Ltd., Party B Beijing Midui Education Technology Co., Ltd. and Party C Hangzhou Kaikaiba Technology Co., Ltd. respectively establish contractual relations with Party D. The rights and obligations hereunder (including but not limited to raising objections, receiving invoices, issuing invoices, settlement, payment, litigation, etc.) shall be handled independently, and the legal responsibilities shall be borne independently. The Contract shall not be regarded as the basis for each subject to bear any joint and several liabilities, and shall not be regarded as the basis for each other to bear any legal responsibilities. Party A, Party B and Party C are collectively referred to as Party A.

In the process of providing promotion services for Party A, Party D can supervise, count and provide relevant data analysis on the consumption of Party A's related accounts through Party D's agency promotion platform according to Party A's product types and demand, and formulate relevant promotion plans, shoot and record promotional videos for Party A, including providing design, creativity and actors of promotional videos, carry out batch operation on Party A's materials to improve promotion efficiency, quickly position materials, carry out batch expansion of keywords, analyze keywords, and improve traffic, provide basic services for some accounts, such as account opening, account management, basic maintenance of accounts, material optimization, page optimization and other services, and provide other available network marketing services.

Based on the principle of equality and mutual benefit, and in accordance with relevant laws and regulations of China, and through friendly negotiation, Party A and Party D have reached the following agreement on matters related to Party D's provision of promotion service and other network marketing services for Party A on Party D's agency platform:

## 1. Definition

Unless otherwise agreed in the Contract, the following terms herein have the following meanings:

- 1.1 Party D's agency platform: Refers to the website where Party D has the authorization to release and promote advertisements and the website with which Party D has cooperative relationship. The Contract refers to the [Tencent/Toutiao/Kuaishou] advertising platform.
- 1.2 Network promotion service: Refers to a paid service provided by Party D to display Party A's promotion information on Party D's agency platform, including but not limited to any new marketing form continuously developed and launched by Party D's agency platform, including page advertisement release, effect advertisement release and agency recharge.
- 1.3 Page advertisement release service: Refers to a paid service provided by Party D to display Party A's promotion information on the page of Party D's agency platform, and its fee settlement basis is different prices at different page positions.
- 1.4 Effect advertisement release service: Refers to a paid service provided by Party D to display Party A's promotion information and video on the page of Party D's agency platform, and its expenses are settled based on advertisement effect (CPC, CPM, CPD, etc.).
- 1.5 Wireless advertisement release service: Refers to a paid service provided by Party D to display Party A's promotion information on Party D's agency platform that is a wireless client, and its expenses are settled based on page advertisement, effect advertisement and other charging methods.
- 1.6 CPT: Cost Per Time, the cost calculation mode of charging by time unit, that is, the mode of pricing according to the display of advertisements at specific positions on Party D's agency platform in unit time.
- 1.7 CPC: Cost Per Click. In the relevant pages or interfaces of Party D's agency platform, every time when a network user clicks on Party A's advertisement, Party D shall deduct the click fee from the advance payment of Party A's promotion fee according to the Contract.
- 1.8 CPD: Cost Per Download, the promotion fee charged by Party D according to the Contract every time when the network user downloads the link content given by Party A in the relevant pages or client interface of Party D's agency platform.
- 1.9 CPM: Cost Per Mille. The cost calculation mode of charging by thousands of displays, that is, every thousand displays of the products on Party D's agency platform will generate a CPM; Party A has different CPM in corresponding industries, and the specific expenses and display volume shall be subject to the actual statistical data of Party D's agency platform.
- 1.10 DSP: Demand-Side Platform, refers to a paid service provided by Party D to display and promote Party A's information on Party D's agency platform, and its expenses shall be settled with the charging method on Party D's agency platform, that is, the automatic deduction method of the system.
- 1.11 Agency recharge service: Refers to the service provided by Party D to open an account and recharge in the name of the final user on Party D's agency platform according to the Execution Form or email confirmed by both parties.
- 1.12 Agency recharge instruction: Party A shall authorize the docking person to issue an agency recharge instruction to Party D within the term of the Contract. When Party A sends the instruction by mail and receives the reply and confirmation from Party D, the recharge instruction shall take effect and both parties shall execute according to the instruction.
- 1.13 Discount: Refers to the preferential quota provided by Party D for Party A based on the public quotation of Party D's network promotion service, which belongs to one of discounts.
- 1.14 Distribution resource: Refers to free network promotion service provided by Party D for Party A according to the specific conditions of Party A's performance of the Contract and the amount paid by Party A, which belongs to one of discounts. Distribution resource shall be designated by Party D, and its price shall not be discounted any more.
- 1.15 Unless otherwise agreed, the term "month", "day" and "quarter" herein refers to calendar month, calendar day and natural quarter.
- 1.16 The title of the Contract and the title of each clause are drawn up for convenience of retrieval and should not be used to explain the meaning of the Contract.

## 2. Service term and expense settlement

- 2.1 The term of the Contract is from [January 1, 2022 to December 31, 2022].
- 2.2 The charging method of effect advertisement shall be subject to the charging rules of the media platform pre-recharge bidding system. Party A shall observe the actual consumption of the promotion account from time to time, and recharge the account according to the method agreed in the Article when the remaining balance of the account is expected to be insufficient.
- 2.3 In the promotion process of Party A, Party D provides Party A with advance in cash for agency recharge service, Party D recharges Party A's account with advance in cash firstly, and Party A then makes a settlement with Party D on a monthly basis based on the [actual consumption amount]. Before each recharge, Party A shall initiate the demand for recharge with advance in cash to Party D 3 working days in advance, and Party D shall send information like the amount of advance in cash by mail and provide account recharge service after Party A replies and confirms it. The email of advance in cash designated by both parties shall be subject to

Article 10.1 hereto. The confirmation email of advance in cash sent by the email of advance in cash designated by both parties shall be a supplement hereto and have the same legal effect as the Contract, but the payment time agreed in the email is longer than that agreed herein.

- 2.4 Party A entrusts Party D to carry out [ CPC  CPD  CPM  CPT  DSP] promotion service on Party D's agency platform.
- 2.5 Discounts:
- 2.5.1 In the process of information promotion, Party A will enjoy the following discounts:  
Toutiao: The rebate is [0] %.  
Tencent and Guandongtong shall additionally reach a supplementary agreement on discounts.  
Example: The rebate is 5%. If Party A requests for recharging 100 yuan, Party D will recharge 105 yuan for Party A, and the rebate amount will not be involved in the settlement.
- 2.5.2 The rebate (if any) provided by Party D and the rebate (if any) given to Party A by Party D's agency platform shall be implemented separately and calculated independently according to their respective policies without affecting each other;
- 2.5.3 Based on the needs of business development, if Party A signs the 2022 Framework Agreement with Party D's agency platform, Party D's agency platform shall give Party A any discount (including but not limited to rebate and return of goods) according to the framework agreement. If such concessions are distributed to Party D's account, Party D can only allocate such concessions to the advertising accounts of Party A and its affiliated company for the advertising consumption of Party A and its affiliated company, and may not be used for other purposes; otherwise, Party D will compensate Party A according to double concessions.
- 2.5.4 Party D promises that after Party D's agency platform gives the rebate/return of goods to Party D's account agreed in the framework agreement at that time, Party D will immediately show the corresponding proofs to Party A, explicitly display the total amount of rebate/return of goods received at present, and allocate them to Party A's accounts according to the recharge instructions confirmed by Party A.
- 2.6 Mode of payment: Details of promotion expenses actually consumed by Party A in each natural month (N) shall be checked by both parties within the first five working days of the following month (N+1). After the reconciliation is correct, Party D shall send a stamped statement to Party A (see Annex 1 for details) and issue an equivalent, legal and valid special VAT invoice for Party A. The invoice details are [modern service-network promotion fee] and the tax rate is [6%]. If both parties have any objection to the settlement amount and details, the actual consumption amount in Party D's agency platform system shall prevail. Party A shall pay Party D before the 15<sup>th</sup> day of the next 3 months (N+3) after receiving the invoice and statement. For example, the actual consumption amount in September shall be paid prior to December 15, while that in October shall be paid prior to January 15 of the following year, and so on.
- 2.7 If Party D fails to provide invoices or delays in providing invoices, Party A has the right to refuse or delay payment of settlement fees to Party D, and does not bear any liability for breach of contract, and Party D shall continue to perform relevant obligations hereunder.
- 2.8 The billing information specified by Party A is as follows:  
Enterprise name: Beijing Kaikuoba Technology Co., Ltd.  
Taxpayer identification number:  
Address:  
Opening bank:  
Enterprise account number:
- Enterprise Name: Beijing Midui Education Technology Co., Ltd.  
Taxpayer identification number:  
Address:  
Opening bank:  
Enterprise account number:
- Enterprise name: Hangzhou Kaikeba Technology Co., Ltd.  
Taxpayer identification number:  
Address:  
Tel:  
Opening bank:  
Enterprise account number:
- 2.9 If the invoice is issued incorrectly due to Party D, Party A has the right to ask Party D to issue the invoice again and make a payment after Party D issues the invoice that meets the requirements; if Party D issues an incorrect invoice due to the incorrect information provided by Party A, Party D shall require Party A to provide correct information and reissue the invoice, and shall not bear the corresponding liability for breach of contract, and Party D shall continue to perform relevant obligations hereunder. The invoice shall not used as a payment voucher.
- 2.10 Bank account number information of Party D:

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Account name: [Beijing Baosheng Network Technology Co., Ltd.]

Opening bank:

Bank account No.:

### 3. Rights and obligations of Party A

- 3.1 Party A guarantees that relevant qualification documents provided for Party D for the performance of the Contract are true, legal, sufficient and continuously valid during the term of the Contract, and that they will not infringe upon the legitimate rights and interests of any third party. Otherwise, Party A shall bear the legal and economic responsibilities arising therefrom. During the validity period of the Contract, Party A will only provide Party D with trademarks, trade names, product introduction and other contents.
- 3.2 Party A has the right to review and accept the promotion works made by Party D, and put forward modification opinions. Party D shall complete the modification within 1 working day from the date of receiving Party A's acceptance opinions and submit them to Party A for acceptance again until the acceptance is qualified. During the cooperation between both parties, any promotional works produced by Party D shall be reviewed and accepted by Party A before Party D can release them online.
- 3.3 Party A entrusts Party D with the operation of the promotion account, but Party D shall confirm with Party A before conducting any operation and releasing any content. After the promotion information is released, neither Party A nor Party D shall change the released content without authorization. Otherwise, in case of any infringement to a third party, punishment of Party D's agency platform and/or administrative investigation by government departments, the delinquent party shall bear relevant legal and economic responsibilities and compensate all losses caused to the observant party.
- 3.4 Relevant statistical data hereunder shall be subject to the system data of Party D's agency platform. Party D guarantees that it will not interfere with the authenticity, objectivity and validity of the statistical data by any cheating means. In addition, Party D shall submit monthly release report to Party A, which shall be accepted and confirmed by Party A. If Party A disagrees with the promotion service (including but not limited to: incorrect release or omission) or relevant statistical data (including but not limited to: delivery volume, visits, exposure, delivery time, directional delivery conditions, clicks and downloads), Party A shall submit the report in written form like e-mail within 15 days after receiving the report, and Party D shall cooperate with Party A to check the objection data or provide the corresponding basis for actual performance. Party A's objection shall not affect the settlement of other expenses, and the expenses of the objection part shall be paid after both parties check and confirm or reach an agreement through consultation. Party D shall cooperate with Party A and Party D's agency platform to check the objection data and require the platform to issue valid certification documents. If the dispute remains unresolved, both parties may entrust a qualified third-party institution to carry out data monitoring, and the expenses shall be borne by the mistake party.

### 4. Rights and obligations of Party D

- 4.1 Party D promises that it has all the qualifications, authorizations and permissions (if any) to sign and perform the Contract, has obtained the complete authorization of Party D's agency platform, and has the right to provide Party A with the services agreed herein. If Party D violates the aforesaid commitments, it shall bear the corresponding legal and economic responsibilities, refund all the expenses paid by Party A at the same time, and compensate Party A for the economic losses incurred.
- 4.2 Party D shall provide relevant services for Party A in accordance with the Contract. Party D shall provide professional team and service support for Party A:
- 1) Party D arranges the operation manager to supervise the financial and delivery processes, and Party D's materials (pictures & videos) are preferentially allocated and supported.
  - 2) Party D provides service support for operators. One optimizer is added for every 5w increase in delivery volume (i.e. actual consumption amount); one graphic designer is added for every 10w increase in delivery volume (i.e. actual consumption amount); details of the overall configuration scheme are as follows:
    - (1) If the daily actual consumption amount is no more than 5w, the operation team support: Operation manager in charge of supervision + operation manager in charge of coordination + one operator in charge of cooperation optimization + one graphic artist + video team
    - (2) If the daily actual consumption amount is no less than 5w and no more than 10w, the operation team support: Operation manager in charge of supervision + operation manager in charge of coordination + two operators in charge of cooperation optimization + an artist + video team
    - (3) If the daily actual consumption amount is more than 10w and no more than 15w, the operation team support: Operation manager in charge of supervision + operation manager in charge of coordination + three operators in charge of cooperation optimization + two artists + video team,
    - (4) And so on.
- 4.3 Party D has the obligation to provide Party A with the services of opening an account in the early stage and communicating and dredging with Party D's agency platform in the later stage. If the advertising information provided by Party A is not approved by the promotion platform, Party D shall explicitly explain the reasons for non-compliance and put forward suggestions for modification, so as to assist Party A's advisement in review and release.

- 4.4 Within the validity period of the Contract, Party D has the right to adjust its own sales policies (including but not limited to price, discounts, etc.) according to market conditions, sales policies of Party D's agency platform, etc. If the new sales policies are more favorable, all valid orders of Party A shall be implemented according to the new sales policies after the announcement and implementation of the new sales policies; otherwise, they shall be implemented according to the old sales policies. Party D has the obligation to notify Party A in writing of the specific changes within [7] days before the implementation of new sales policies.
- 4.5 If there is any incorrect release or omission in the promotion due to Party D's fault or negligence, Party D may compensate Party A according to the principle of "one incorrect release and one makeup, one omission and one makeup".
- 4.6 In case the goodwill or other legal rights and interests of Party A are damaged due to Party D during the promotion process, Party A has the right to terminate the Contract and require Party D to compensate Party A for all losses incurred.
- 4.7 Party D guarantees that all performance behaviors of Party D's agency platform or channel and its promotion do not violate relevant laws and regulations of China and do not infringe on the legitimate rights and interests of any third party; otherwise, Party D shall independently solve or bear the legal and economic responsibilities arising therefrom, and compensate Party A for all losses incurred.
- 4.8 Party D is responsible for providing advertising materials, making and releasing advertising contents, including but not limited to pictures, texts, videos, etc. After Party D completes the production of advertising contents, it shall submit them to Party A for review before release. Party A's review of advertising contents does not exempt Party D from its responsibilities.
- 4.9 Without the written consent of Party A, Party D shall not transfer its obligations hereunder to any third party.

#### **5. Business secrets and intellectual property rights**

- 5.1 Without the written permission of the other party, either party shall disclose any content of the terms of the Contract and the signing and performance of the Contract to a third party unrelated to the performance of the Contract (except for the requirements of relevant laws, regulations, government departments, stock exchanges or other regulatory agencies and the legal, accounting, commercial and other consultants and authorized employees of Party A and Party D), and any information of the other party and its affiliated company obtained through the signing and performance of the Contract.
- 5.2 Either party shall disclose any information (including but not limited to contract amount, price and discounts) known to the third party unrelated to the performance of the Contract. Otherwise, if losses are caused to the other party, the delinquent party shall bear all compensation liabilities (including but not limited to: travel expenses, legal fees and attorney fees), and eliminate the influence on and restore the reputation of the other party, and pay 30% of the amount involved in the Contract, annexes and related components as liquidated damages to the other party.
- 5.3 The performance of the Contract does not mean that the confidentiality obligation of business secrets is eliminated, and the confidentiality clause still has legal effect. In case of violation, the delinquent party shall bear all losses caused to the observant party.
- 5.4 During the validity period of the Contract, Party D shall ensure the authenticity and legality of all relevant materials and their qualifications provided, and ensure that the words and pictures provided do not violate the relevant provisions of laws and regulations, national policies and relevant rules of the internet platform, and do not infringe upon the legitimate rights and interests of any third party. If the content provided by Party D violates laws and regulations, national policies or relevant rules of the internet platform, or leads to any infringement or dispute with a third party, Party D shall bear all the responsibilities independently. Therefore, if it causes damage to Party A or any third party, Party D shall compensate for all the losses arising therefrom, and the delivery expenses in case of disputes shall not be settled (without affecting the settlement of expenses without disputes arising from normal delivery before); if Party D has more than two (including two) violations, Party A has the right to terminate the cooperation in advance.
- 5.5 The rights of the works entrusted by Party A to Party D, including but not limited to ownership, intellectual property rights, portrait rights and reputation rights, belong to Party A. Without the written permission of Party A, Party D shall not use the aforesaid materials, data and finished products that can be released for any purpose other than the purpose of the Contract in any way.

#### **6. Liability for breach of contract**

- 6.1 If either party violates its obligations hereunder, the delinquent party shall immediately stop its breach of contract and compensate the observant party for all losses incurred within 10 days on the date of receiving the written notice from the observant party requesting for correcting its breach of contract. If the delinquent party continues to breach the Contract or fails to perform its obligations, the observant party shall have the right to investigate the delinquent party's liability for breach of contract, including compensation for all losses incurred, in addition to unilateral termination of the Contract.
- 6.2 If Party A fails to pay Party D in accordance with the Contract, it shall pay two over ten thousand of the overdue amount for each day overdue as liquidated damages. If the overdue day exceeds 15 days, Party D shall have the right to terminate the Contract immediately and request Party A for compensating Party D for the losses incurred. However, the liquidated damages paid by

Party A shall not exceed 5% of the amount owed.

- 6.3 If there are any defects in Party D's qualifications, authorizations and permissions, thus preventing Party D from providing the services hereunder, or Party D's promotion services cannot meet Party A's needs, Party A has the right to unilaterally terminate the Agreement after issuing written notice to Party D without violating the Contract.
- 6.4 If Party D releases the promotion content through Party A's account without Party A's review and acceptance, thus Party A is subject to administrative punishment, media platform punishment/fine or bears other responsibilities, Party D shall bear relevant legal and economic responsibilities and compensate Party A for all losses incurred, including but not limited to fines, penalties and other losses caused by the punishment.
- 6.5 If there is any special agreement on the liability for breach of contract herein, the special agreement shall prevail.

#### 7. Force majeure

- 7.1 Force majeure refers to events beyond the reasonable control of both parties, which is unforeseeable or unavoidable even if foreseen, and which prevents, affects or delays either party from performing all or part of its obligations hereunder. Such events include, but are not limited to, government acts, natural disasters, wars or any other similar events. In view of the special nature of the internet, force majeure also includes but is not limited to the following situations that affect the normal operation of the internet: hacker attacks, major impacts caused by technical adjustments in the telecommunications sector, temporary shutdowns caused by government regulations, and virus attacks.
- 7.2 In case of force majeure, the informed party shall promptly and fully send a written notice to the other party, inform the other party of the possible impact of such events on the Contract, provide relevant certificates within a reasonable period of time, and minimize the adverse impact of force majeure on the performance of the Contract; otherwise, it shall be responsible for the expanded loss.
- 7.3 Both parties shall not bear any liability for breach of contract between them if part or all of the Contract fails to be performed or is delayed due to the above-mentioned force majeure events.
- 7.4 If force majeure occurs after one party's delay or defective performance, it will not be exempted from its prior liability for breach of contract.

#### 8. Dispute resolution and law application

- 8.1 All disputes arising from the performance of the Contract shall be settled by both parties through friendly negotiation. If no agreement can be reached through negotiation, it shall be settled by litigation in Haidian District People's Court of Beijing where the Contract is signed.
- 8.2 The conclusion, validity, interpretation, performance, modification, termination and dispute resolution of the Contract shall be governed by the relevant laws and regulations of the People's Republic of China.

#### 9. Entry into force and termination of the Contract

- 9.1 The Contract shall come into effect after both parties affix their official seals or special seals for contracts.
- 9.2 The early termination of the Contract shall not affect the rights and/or obligations previously enjoyed by both parties due to the performance of the Contract, including but not limited to payment of Party A to Party D for the services already provided according to the promotion fees agreed herein if Party D has provided advertising promotion services as agreed herein; the delinquent party's breach of contract due to its breach of contract.

#### 10. Supplementary provisions

- 10.1 For the convenience of communication in the execution of the Contract, it shall be specified that both parties shall designate the docking person and the designated email of advance in cash, and Party A shall designate the special docking person and email of advance in cash according to the specific internal business division. The specific division rules shall be subject to Party A's requirements, and the specific information is as follows:

Docking person of Party A: Xu Yuanyuan	Docking person of Party A: Qu Rongnan
E-mail:	E-mail:
Tel:	Tel:

Docking person of Party A: Gu Liren	Docking person of Party A: Wang Hongjun
E-mail:	E-mail:
Tel:	Tel:

Docking person of Party D: Zou Wei
E-mail:
Tel:

- 10.2 Both parties may change the docking person mentioned in Article 10.1 hereto in any of the following ways:  
10.2.1 The changing party shall inform the other Party by written notice (which shall be signed);  
10.2.2 The original authorized person or original contact person of the changing party shall inform the other Party by email.  
Both parties shall notify each other in the above form 5 working days in advance; otherwise, they shall bear all liabilities caused by failure to notify in time.
- 10.3 Except for the work agreed herein, either party shall use or copy the trademark, logo, commercial information, technology and any other proprietary materials of the other party without the prior written consent of the other party.
- 10.4 For matters not covered herein, both parties shall conclude a supplementary agreement to amend, supplement or adjust the Contract through negotiation. In case of any conflict between the supplementary agreement and the Contract, the supplementary agreement shall prevail.
- 10.5 The Contract is made in quadruplicate, with one copy held by Party A, Party B, Party C and Party D, which has the same legal effect.
- 10.6 The notes, annexes and supplementary agreement hereto are an integral part of the Contract and have the same legal effect as the Contract.
- 10.7 Annex I: Statement (Template).  
Annex II: A scanned copy of power of relevant attorney of the authorized agent of the media platform is stamped with the original official seal.

(The remainder of the page is intentionally left blank)

**Party A: [Beijing Kaikaiba Technology Co., Ltd.]**  
(Stamped with official seal or special seal for contract)  
Signature of authorized representative:  
Signed on: January 1, 2022

**Party B: [Beijing Midui Education Technology Co., Ltd.]**  
(Stamped with official seal or special seal for contract)  
Signature of authorized representative:  
Signed on: January 1, 2022

**Party C: [Hangzhou Kaikaiba Technology Co., Ltd.]**  
(Stamped with official seal or special seal for contract)  
Signature of authorized representative:  
Signed on: January 1, 2022

**Party D: [Beijing Baosheng Network Technology Co., Ltd.]**  
(Stamped with official seal or special seal for contract)  
Signature of authorized representative:  
Signed on: January 1, 2022



## Advertising Services Agreement of Ali Intelligent Marketing Platform

**PARTY A: BEIJING KAIKEBA TECHNOLOGY CO., LTD.**

**PARTY D: BEIJING BAOSHENG TECHNOLOGY CO., LTD.**

Whereas Party A Beijing Kaikaiba Technology Co., Ltd. [Website: <https://www.kaikeba.com>] entrusts Party D to purchase advertisements from the intelligent marketing platform. Through friendly negotiation, both parties reach the Agreement (hereinafter referred to as "Single Agreement" or "the Agreement") on matters related to the implementation of information services by Party A on the intelligent marketing platform represented by Party D (URL main domain name includes all websites in e.sm.cn/e.uc.cn), Ali products and other websites cooperated by Ali Company.

### I. INFORMATION SERVICES

1. Search ranking. Party A submits or entrusts Party D to submit materials and provide information services to the intelligent marketing platform represented by Party D through the ranking system of the intelligent marketing platform, and pays information service fee to Party D according to the total expenses in the ranking system of the intelligent marketing platform represented by Party D.
2. For brand direct delivery services, display services, interactive services, event marketing services and other new types of services, both parties shall separately sign the Statement, and implement information services according to agreements specified in the Statement in different stages. Party A shall pay information service fee to Party D according to agreements specified in the Statement in different stages.

### II. PRICE RELATED

The Agreement shall be valid from [January 1, 2022] to [December 31, 2022].

### III. PAYMENT TERMS

For The Information Service Fee Hereunder, Party D Shall Give Party A 60 Days Of Monthly Consumption Settlement Period.

For The Statement From March 1 To March 31, 2021, Party D Shall Send The Statement To Party A Before April 5, And After Confirmation By Party A's Email, It Shall Make A Payment To Party D's Corporate Account Before May 30, 2021, And So On. If Party A Has Any Objection To The Statement To Be Checked, It Has The Right Not To Settle Part In Dispute.

Both Parties Shall Check And Confirm The Information Service Fee Of Last Month Before The 5th Day Of Each Month, And Party D Shall Issue A Formal Special Vat Invoice For Party A According To The Billing Information Of Party A Before The 15th Day Of Each Month, And The Invoice Content Is Information Service Fee. In Case Of Special Circumstances, Such As Party D's Tax Declaration At The Beginning Of The Month, System Upgrade, Etc., Party A Shall Understand And Agree To Postpone The Billing Time, And The Payment Made By Party A To Party



D May Also Be Postponed Equally. The Longest Extension Period Of Party D Shall Not Exceed 15 Days, Otherwise Party D Shall Bear Its Own Responsibilities.

**IV. BILLING INFORMATION OF PARTY A:**

1. Company Name: Beijing Kaikeba Technology Co., Ltd.
2. Tax No.:
3. Address:
4. Opening bank:
5. Bank account number:

Note: If there is any change in the above information, Party A shall submit a written change document stamped with official seal to Party D; otherwise, the losses incurred shall be borne by Party A.

**V. ACCOUNT INFORMATION OF PARTY D:**

1. Name of opening bank:
2. Account name:
3. Account number:

Note: Party A transfers money to Party D, and the bank charges shall be borne by Party A.

**VI. ENTRY INTO FORCE OF THE AGREEMENT AND OTHERS**

1. The Framework Service Agreement is signed by both parties in Dongcheng District, Beijing.
2. The Agreement shall come into force on the date when the validity period of the Agreement begins after both parties affix the seal of the Company.

<b>Party A: Beijing Kaikeba Technology Co., Ltd.</b>	<b>Party D: Beijing Baosheng Technology Co., Ltd.</b>
Address: Contact person: Gu Liren Tel: E-Mail: Signed on: January 19, 2022	Address: Contact person: Zou Wei Tel: E-Mail : Signed on: January 19, 2022

Annex I:

## General Terms and Conditions

### I. Definition

1. Information service products: Refer to the information services provided by Party D on the intelligent marketing platform or its channels.
2. Information service fee: Refers to the information service fee that Party A should pay to Party D because Party D releases internet information services for Party A on the intelligent marketing platform.
3. Incorrect release: Refers to the serious incorrect release of the internet information services hereunder for more than 4 consecutive hours during working hours due to Party D's fault or negligence.
4. Omission: Refers to the failure of the internet information services hereunder to be released within the time stipulated herein due to Party D's fault or negligence, but does not include the reasonable technical processing time of information services on that day.
5. Affiliated company: Refers to an enterprise that is or will be able to directly or indirectly control, jointly controls or has significant influence on the other party and that with two parties or multiple parties under the same control, joint control, or having significant influence on the other party" with Party D.

### II. Rights and obligations of both parties

1. Information services
  - 1.1 Party D has the obligation to clearly inform Party A of product service agreement on information services released on the intelligent marketing platform and the agreement and attachments related to Party A's rights and obligations herein, and shall assist the media in reviewing Party A's qualifications and the information content submitted by Party A through Party D. Party A's domain name is limited to all official websites of Party A, and no third-party website shall be used.
  - 1.2 The information services released hereunder shall be provided by Party A. Party A guarantees that the released website and site do not contain any contents that violate the relevant laws and regulations of the People's Republic of China, including but not limited to contents that endanger national security, obscenity, falsehood, violation of law, infringe on intellectual property rights, personal rights and other legitimate rights and interests of others, and violate public order and good customs or links to these contents; Party A guarantees that the provided website address and the contents, materials and documents of the website are true, legal and legitimate, and are not obtained by unfair competition or other illegal means. At the same time, Party A promises not to make misleading false propaganda or exaggerated propaganda in the released contents, products or operations; Party A guarantees that the words, pictures, links, websites pointed to by links and other parts involved in the released information service content are directly consistent and relevant, and the overall effect of information

services will not cause misunderstanding by consumers; Party A guarantees that in the provision of information services, Party A will not take illegal or cheating actions to increase the click rate of the website or obtain improper trading opportunities.

- 1.3 Party A understands that national laws and regulations and departmental rules and regulations have strict management regulations on internet information services, and Party D has the right to require Party A to provide relevant certification documents according to these regulations (the certification documents include but are not limited to: production or operation qualification certificates issued by relevant government departments; trademark registration certificate obtained in China and other certificates stipulated by laws and regulations). If Party A fails to provide Party D with the qualification certificates of customer qualifications, products or services required for performing the Agreement, and/or Party D believes that the above documents do not comply with laws and regulations or infringe upon the legitimate rights and interests of third parties, Party D has the right to request amendment or refuse to release the information services, and bear corresponding responsibilities.
- 1.4 If Party D finds that the released information service terms or keywords of Party A contain any contents that violate laws and regulations, public ethics or infringe upon the legitimate rights and interests of third parties, or Party D is required by relevant government departments to delete these information services, Party D has the right to delete relevant information services; if the circumstances are serious or cause or may cause losses to Party D, Party D has the right to delete all information services still released by the customer; Party D shall not assume any responsibility for the above-mentioned acts. In case of any dispute, lawsuit or claim against Party D, or Party D is criticized or punished by relevant government departments or ordered by government management departments to stop releasing information services, Party A shall be responsible for explaining to Party D. If Party D suffers any direct economic losses (including fine payment and compensation, etc.), Party D shall notify Party A in time, and Party A shall compensate the same amount within 7 days after receiving the notice; in case of the above situation, Party D has the right to unilaterally terminate the Agreement.
- 1.5 Both parties understand the urgency of information services, if information services are really needed before the Information Service Statement in different stages takes effect, Party A will authorize relevant contact person to sign the Information Service Statement. Party A recognizes that the Information Service Statement sent from Party A's email can be regarded as Party A's confirmation of information services (fax, scanning copy and original have the same legal effect), Party D will cooperate with Party A to provide information services if allowed, and the resulting information service fee shall be settled by Party A according to agreements of Information Service Statement in different stages. However, Party A shall still cooperate with Party D's stamping process of Information Service Statement within the agreed time. If the suffix of Party A's email changes, Party A shall notify Party D in writing within 3 days; otherwise, Party D shall not bear

- any legal responsibilities arising from Party D receiving wrong information for releasing or not releasing information services due to the change of email. Party D shall release information services according to the Agreement. If Party A has any objection to information services (including any incorrect release, omission or any other release in violation of the provisions of the Agreement), Party A shall submit it to Party D in writing and provide screenshots and other relevant evidences. After verification, Party D shall compensate and release it according to the principle of "one incorrect release and one makeup" and "one omission and one makeup".
- 1.6 Party A shall not be liable to Party D for any indirect or punitive loss arising from or in connection with the Agreement, whether such liability arises from breach of the Agreement, tort (including negligence) or strict liability, or other conditions and whether Party D has been informed of the possibility of such damage.
- 1.7 Without the prior written consent of the other party, either party shall transfer the rights and obligations hereunder to a third party. However, Party A understands that Party D may need necessary assistance from its affiliated company to provide Party A with a written application when performing its obligations hereunder. With signature and consent of Party A, the above arrangements can be made. If the advertising materials and contents are provided or produced by Party D, Party D shall bear corresponding responsibilities for the advertising contents produced by Party D; if Party D's advertising materials and contents violate laws and regulations or infringe upon the legitimate rights and interests of third parties, Party D shall bear all responsibilities and compensate Party A for all losses incurred.
- 1.8 In case of any media fraud by Party D during the execution of the Contract, Party A has the right to terminate the Contract unilaterally and immediately by written or email notice, and Party D shall compensate Party A for all losses, including but not limited to fines, liquidated damages, compensation, legal fees, notarial fees, etc.
- 1.9 Party D guarantees that it has all qualifications and abilities to legally perform the services agreed herein, provides services to Party A in a proper, legal and true way, and does not violate the principle of good faith; otherwise, Party D shall refund the fees paid by Party A in full and compensate Party A for liquidated damages three times the total amount of the Contract. If Party A's losses exceed the aforesaid liquidated damages, Party D shall compensate Party A for all losses, including but not limited to fines, liquidated damages, compensation, legal fees, notarial fees, etc.

### **III. Guarantee, confidentiality and intellectual property clauses**

1. Both parties guarantee that they have all the qualifications and rights to sign and perform the Agreement. Without the written permission of the other party, one party shall not transfer all or part of the rights and obligations hereunder to a third party in any form; otherwise, the party

shall bear the liability for breach of contract. Failure of either party to exercise its rights hereunder in a timely manner shall not be deemed as a waiver of such rights, nor shall it affect the exercise of such rights by that party in the future.

2. Either party shall keep confidential the business secrets and other confidential materials and information of the other party known or available by signing or performing the Agreement, including but not limited to written materials, product prices, agency policies, customer list information, etc.; either party shall disclose, give or transfer such confidential information to a third party without the written consent of the other party. However, for the performance of the Agreement or the business needs of one party, confidential information may be disclosed to:

- 2.1 Employees within the recipient who need to know confidential information or employees of their affiliated company;
- 2.2 Partners who have signed confidential clauses or confidential agreements with the recipient, including law firms (lawyers), accounting firms (accountants), audit firms (auditors), evaluation firms (appraisers), etc.;
- 2.3 Government departments, judicial departments, stock exchanges or other regulatory agencies disclosed by one party in accordance with relevant laws and regulations.

3. Except for the work required by the Agreement, the trademark, logo, commercial information, technology and other materials of the other party shall not be used or copied without the prior consent of the other party.

4. The Article shall remain in force after the termination of the Agreement.

#### **IV. Anti-bribery clause**

1. During the execution and performance of the Agreement and after the termination of the Agreement, the staff of either party shall adhere to the principles of objectivity, impartiality and fairness, and either Party (1) shall provide any remuneration, gifts or other tangible or intangible benefits to the employees and/or their family members of the other party or its affiliated company with which it has actual or potential business relations; (2) shall not arrange for the employees or their family members of the other party or the other party's affiliated company any activities that may affect the fair signing or performance of the Agreement; (3) if the employees or their family members of the party have interests in those of the other party, the employees of that party shall take the initiative to implement the avoidance system; (4) all discounts granted to the other party shall be explicitly stated in the Agreement or Supplementary Agreement, and discounts, labor fees or information fees shall not be returned to employees or family members of the other party or its affiliated company in any form beyond the Agreement or Supplementary Agreement.
2. Violation of the above agreement shall be regarded as commercial bribery. If being discovered, it can be deemed to have caused substantial damage to the other party. The other party may terminate the Agreement, circulate a notice of criticism or give economic punishment to the relevant responsible person, transfer the criminal suspects to judicial organs for handling, and require the other party to pay twenty

percent (20%) of the agreed amount as liquidated damages. If losses are caused to the other party or its affiliated company, the delinquent party shall continue to be responsible for compensation, except for small gifts given according to commercial practices in commercial transactions.

3. In the process of signing and performing the Agreement, either party shall notify the other party in time in case of commercial bribery of the employees or their family members of the other party, and concealment, black box operation, malicious collusion or falsification is not allowed.

#### **V. Liability for breach of contract**

1. Both parties shall properly exercise their rights and fulfill their obligations to ensure the smooth implementation of the Agreement. Unless otherwise agreed herein, if either party violates its obligations stipulated herein, the delinquent party shall immediately stop its breach of contract on the date of receiving the written notice from the observant party requesting to correct its breach of contract, and bear the liability for breach of contract and compensate the observant party for all losses incurred within seven (7) days. Unless otherwise agreed in herein, if one party performs or fails to perform its obligations or exercises its rights hereunder, one party shall be liable for all losses (except profit loss or other indirect losses) suffered by the other party.

2. After Party D fulfills its advance payment obligations, Party A shall make a payment to Party D according to the Agreement. In case of overdue payment, it shall pay three over ten thousand of the amount payable to Party D as liquidated damages for each day overdue.

#### **VI. Special exemption clause**

1. Party A understands that for the normal operation of the intelligent marketing platform, it is necessary to stop and maintain the intelligent marketing platform regularly or irregularly. If information services hereunder cannot be released as planned due to such circumstances, Party D shall bear corresponding legal responsibilities and losses unless Party A agrees, and Party D shall be obliged to try its best to avoid service interruption or minimize the interruption time.

2. Based on the overall market interests and business needs, Party D may adjust the service content, layout, page design and other related aspects of the intelligent marketing platform from time to time. If the above adjustment affects information services hereunder (including the release location and/or release period, etc.), Party D shall bear corresponding legal responsibilities and losses unless Party A agrees, and Party D shall minimize the above influence as much as possible.

#### **VII. Termination of agreement**

1. Unless otherwise agreed, the Agreement shall be terminated when any of the following circumstances occur:
  - 1.1 The term of the Agreement expires and both parties decide not to renew it.

- 1.2 Either party declares bankruptcy or enters into liquidation or dissolution proceedings. If Party A enters the bankruptcy application or liquidation or dissolution procedure, creditor's rights of Party D hereunder shall have the priority to be repaid.
- 1.3 One party constitutes or is likely to constitute a material breach of contract. If the delinquent party fails to stop the breach within thirty (30) days after receiving the notice from the observant party to stop the breach, it will constitute a material breach, and the observant party has the right to terminate the Agreement by written notice;
- 1.4 Party A has the right to unilaterally terminate the Agreement due to business or policy adjustment without prior notice, and Party A does not assume any responsibility for it.
2. The Termination Notice shall take effect on the date of service, and the Agreement shall be terminated on the date of termination stated in the Termination Notice.
3. Termination of the Agreement shall not affect the outstanding settlement or payment obligations of either party hereunder and other obligations or rights arising before the date of termination.

#### **VIII. Force majeure**

1. "Force majeure" refers to events beyond the reasonable control of both parties, which is unforeseeable or unavoidable even if foreseen, and which prevents, affects or delays either party from performing all or part of its obligations hereunder. Such events include, but are not limited to, government acts, natural disasters, wars or any other similar events. In view of the special nature of the internet, force majeure also includes the following situations that affect the normal operation of the internet: hacker attacks, major impacts caused by technical adjustments in the telecommunications sector, temporary shutdowns caused by government regulations, and virus attacks.
2. In case of force majeure, the obligations of both parties hereto shall be suspended within the scope and duration of force majeure, and either party shall bear any responsibility for it, but the solution to the problem shall be negotiated immediately. The information service period may be extended according to the suspension period, but both parties must reach a consensus through consultation. The party claiming to suffer from force majeure shall notify the other party not later than fifteen (15) days after the occurrence of force majeure, accompanied by a written proof of force majeure confirmed by relevant department, and shall minimize the impact of force majeure. If force majeure lasts for more than thirty (30) days and has a material adverse impact on the performance of the Agreement, either party may terminate the Agreement.

#### **IX. Notice and delivery**

1. Any notice or written communication between both parties must be in Chinese and sent by fax, E-mail, personal service (including express mail) or registered mail.

2. Unless otherwise agreed in herein, notices and letters sent by facsimile shall be served based on the exact time shown in the facsimile transmission record; if they are served after five o'clock (5:00) PM on that day, or not on a business day, they shall be served on the next business day; if they are sent by e-mail, they shall be deemed to have been served on the day of sending; if they are sent by special person (including express mail), they shall be deemed to have been served on the second business day from the date of sending; if they are sent by registered mail, they shall be deemed to have been served within five (5) business days from the date of sending on the basis of the receipt issued by the post office.
3. The contact information of both parties shall be subject to the address listed at the beginning of the text. In case of notification in various ways, the earliest delivery time shall prevail.

**X. Dispute resolution**

1. Disputes arising from the signing, validity, interpretation and execution of the Agreement shall be settled through friendly negotiation. Otherwise, either party may submit the relevant disputes to the court where the Contract is signed for settlement.
2. The Agreement shall be governed by the laws of the Mainland of the People's Republic of China (excluding conflict of laws).

**XI. Miscellaneous**

1. Any provision of the Agreement shall be deemed to have been deleted if, for whatever reason, it is invalid in whole or in part, unenforceable or contravenes any applicable law. However, the remaining provisions of the Agreement shall remain valid and binding.
2. The main body and annexes hereto constitute the complete agreement between both parties.
3. The Agreement is made in duplicate, with one copy held by Party A and Party D respectively, which has the same legal effect.

-----[The remainder of the page is intentionally left blank. The Agreement ends]-----

## Statement

1. Through negotiation between both parties, Party A agrees to entrust Party D to provide information services on the intelligent marketing platform in accordance with the contract contents of the Advertising Services Agreement of Ali Intelligent Marketing Platform; 2. After the Statement is confirmed by Party A's email, Party D shall provide a paper version together with the equivalent invoice for Party A; 3. The document is made in duplicate. After receiving the document, Party A shall stamp it and send one copy back to Party D.					
Media	Products	Period	Settlement amount	Book amount	Rebate distribution policy (media + agency)
Ali					
Total settlement (RMB)				In figures	
				In words	
Payer	Date of payment		Mode of payment	Receiving bank account number	
Party A: Beijing Kaikeba Technology Co., Ltd.			<input checked="" type="checkbox"/> Bank remittances	Account name: Beijing Baosheng Technology Co., Ltd. Opening bank: Bank account number:	
			<input type="checkbox"/> Cheque		
			<input type="checkbox"/> Other modes:		
Remarks	When Party A receives the invoice issued by Party D, it shall pay in time according to the payment days agreed in the Contract. <b>For each day overdue, Party A shall pay three over ten thousand of the recharge amount to Party D as liquidated damages until the payment is paid off. During the overdue payment period, Party D has the right to suspend the service provided, and Party A has no right to enjoy any discount (rebate) of Party D (if any)</b>				
<b>Party A: Beijing Kaikeba Technology Co., Ltd.</b>			<b>Party D: Beijing Baosheng Technology Co., Ltd.</b>		
Address:  Contact person: Gu Liren  Tel:  F-Mail :  Signed on: January 19, 2022			Address:  Contact person: Zou Wei  Tel:  E-Mail :  Signed on: January 19, 2022		



## Supplementary Agreement to Advertising Services Agreement of Ali Intelligent Marketing Platform

The Contract is signed by the following parties in Dongcheng District, Beijing:

Party A: Beijing Kaikeba Technology Co., Ltd.

Address:

Contact person: Gu Liren

Tel:

Party D: [Beijing Baosheng Technology Co., Ltd.]

Address:

Contact person: Zou Wei

Tel:

Whereas both parties signed the Contract of [Advertising Services Agreement of Ali Intelligent Marketing Platform] (hereinafter referred to as the "Original Contract") on [January 19, 2022], and now through friendly negotiation, both parties have reached the following supplementary agreement (hereinafter referred to as "the Agreement") for mutual compliance:

1. The annual framework amount hereunder is [3,000,000.00] yuan, that is, in words RMB [Three Million] only.
2. Media policy: 30/100 rebate.
3. Agency policy: 5/100 rebate.

Framework amount	Media policy	Agency policy	Total
3,000,000	30/100 rebate	5/100 rebate	35/100 rebate

4. Cash deposit

Party A shall pay 10% of the annual framework amount before Party D makes a payment to the media as cash deposit, that is, [300,000.00] yuan, in words RMB [Three Hundred Thousand] only, and the amount shall be paid by Party A.

Upon the expiration of the term of the Agreement, the total amount actually consumed by Party A shall reach or exceed the annual framework amount. If it fails to reach that of the media, all the cash deposit shall be deducted. Party D shall synchronize with Party A within 3 working days after receiving the media deduction notice. Moreover, Party A no longer enjoys the framework policies agreed herein. The intelligent marketing platform represented by Party D will recalculate all advertisements delivered by Party A within the validity period of the original agreement according to the original price (advertisement sample price) of its unified external quotation. If other discounts of the intelligent marketing platform represented by Party D are obtained after recalculation, Party A can re-settle with Party D according to other discounts. The final deduction method and amount shall be subject to the public information of the intelligent marketing platform represented by Party D.

5. Other clauses of the Original Contract remain unchanged. As an integral part of the Original Contract, the Agreement has the same legal effect as the Original Contract. If specified in both the Agreement and the Original Contract, the Agreement shall prevail; if not specified in the Agreement, the Original Contract shall prevail.

6. The Agreement shall come into force after being signed and sealed by both parties.

7. The Agreement is made in duplicate, with each party holding one copy, which has the same legal effect.

(The remainder of the page is intentionally left blank, which is the signature page)

Party A: [Beijing Kaikaiba Technology Co., Ltd.]

Signed on: January 19, 2022

Party D: [Beijing Baosheng Technology Co., Ltd.]

Signed on: January 19, 2022

## Supplementary Agreement to Advertising Services Agreement of Ali Intelligent Marketing Platform

The Contract is signed by the following parties in Dongcheng District, Beijing:

Party A: Beijing Kaikeba Technology Co., Ltd.

Address:

Contact person: Gu Liren

Tel:

Party D: [Beijing Baosheng Technology Co., Ltd.]

Address:

Contact person: Zou Wei

Tel:

Whereas both parties signed the Contract of [Advertising Services Agreement of Ali Intelligent Marketing Platform] (hereinafter referred to as the "Original Contract") on [January 19, 2022], and now through friendly negotiation, both parties have reached the following supplementary agreement (hereinafter referred to as "the Agreement") for mutual compliance:

1. In the Framework Agreement, the annual joint framework amount of Party A in Ali Media is [5,000,000.00] yuan, that is, in words [Five Million] Only. The annual framework amount of Party D is [3,000,000.00] Yuan
2. Media policy: 32/100 rebate.
3. Agency policy: 5/100 rebate.

Framework amount	Media policy	Agency policy	Total
5,000,000	32/100 rebate	5/100 rebate	37/100 rebate

4. Cash deposit

Party A shall pay 10% of the annual framework amount before Party D makes a payment to the media as cash deposit, that is, [300,000.00] yuan, in words [Three Hundred Thousand] only, and the amount shall be paid by Party A.

Upon the expiration of the term of the Agreement, the total amount actually consumed by Party A shall reach or exceed the annual framework amount by no less than [5,000,000.00] yuan, that is, in words RMB [Five Million] only. The actual amount completed shall be subject to the confirmation by the media at the end of the year. If it fails to reach that of the media, all the cash deposit will be deducted, and Party D shall synchronize with Party A within 3 working days after receiving the media deduction notice. Moreover, Party A no longer obtains the discounts agreed herein. The intelligent marketing platform represented by Party D will recalculate all advertisements delivered by Party A within the validity period of the original agreement according to the original price (advertisement sample price) of its unified external quotation. If other discounts of the intelligent marketing platform represented by Party D are obtained after recalculation, Party A can re-settle with Party D



according to other discounts. The final deduction method and amount shall be subject to the public information of the intelligent marketing platform represented by Party D.

5. Other clauses of the Original Contract remain unchanged. As an integral part of the Original Contract, the Agreement has the same legal effect as the Original Contract. If specified in both the Agreement and the Original Contract, the Agreement shall prevail; if not specified in the Agreement, the Original Contract shall prevail.

6. The Agreement shall come into force after being signed and sealed by both parties.

7. The Agreement is made in duplicate, with each party holding one copy, which has the same legal effect.

(The remainder of the page is intentionally left blank, which is the signature page)

Party A: [Beijing Kaikaiba Technology Co., Ltd.]

Signed on: January 19, 2022

Party D: [Beijing Baosheng Technology Co., Ltd.]

Signed on: January 19, 2022

## Supplementary Agreement to Advertising Services Agreement of Ali Intelligent Marketing Platform

The Contract is signed by the following parties in Dongcheng District, Beijing:

Party A: Beijing Kaikeba Technology Co., Ltd.

Address:

Contact person: Gu Liren

Tel:

Party D: [Beijing Baosheng Technology Co., Ltd.]

Address:

Contact person: Zou Wei

Tel:

Whereas both parties signed the Contract of [Advertising Services Agreement of Ali Intelligent Marketing Platform] (hereinafter referred to as the "Original Contract") on [January 19, 2022], and now through friendly negotiation, both parties have reached the following supplementary agreement (hereinafter referred to as "the Agreement") for mutual compliance:

1. The screen opening resource package hereunder is [500,000.00] yuan, that is, in words RMB [Five Hundred Thousand] only. The amount shall be paid according to the payment days agreed in the Original Contract.

Screen Opening Resource Package							
Form	Resource name	Formal description	Quantity	Unit price of advertisement sample	Unit	Total price of advertisement sample	Package price
Standard resource	Topview	Startup logo + recommended channel information flow Startup logo: Dynamic (5s)/video (5s) (click support) and information flow linkage of recommended information channel	11575	240	CPM	2778000	500000

2. Other clauses of the Original Contract remain unchanged. As an integral part of the Original Contract, the Agreement has the same legal effect as the Original Contract.

3. The Agreement shall come into force after being signed and sealed by both parties.

4. The Agreement is made in duplicate, with each party holding one copy, which has the same legal effect.



(The remainder of the page is intentionally left blank, which is the signature page)

Party A: [Beijing Kaikaiba Technology Co., Ltd.] Party D: [Beijing Baosheng Technology Co., Ltd.]

Signed on: February 17, 2022

Signed on: February 17, 2022

## Subsidiaries of the Registrant

<b>Subsidiaries</b>	<b>Jurisdiction of Incorporation</b>
Baosheng Media Group Limited	British Virgin Islands
Baosheng Media Group (Hong Kong) Holdings Limited	Hong Kong
Beijing Baosheng Technology Company Limited	PRC
Horgos Baosheng Advertising Company Limited	PRC
Kashi Baosheng Information Technology Company Limited	PRC
Baosheng Technology (Horgos) Company Limited	PRC
Beijing Baosheng Network Technology Co., Ltd.	PRC
Beijing Xunhuo E-commerce Co., Ltd.	PRC

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**CERTIFICATION OF THE CHIEF EXECUTIVE OFFICER PURSUANT TO SECTION 302 OF THE  
SARBANES-OXLEY ACT OF 2002**

I, Wenxiu Zhong, certify that:

1. I have reviewed this annual report on Form 20-F of Baosheng Media Group Holdings Limited (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 Rules 13a-15(f) and 15d-15(f)) for the Company and have:
  - (a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the Company, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
  - (b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;
  - (c) Evaluated the effectiveness of the Company’s disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
  - (d) Disclosed in this report any change in the Company’s internal control over financial reporting that occurred during the period covered by the annual report that has materially affected, or is reasonably likely to materially affect, the Company’s internal control over financial reporting; and
5. The Company’s other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the Company’s auditors and the audit committee of the Company’s board of directors (or persons performing the equivalent functions):
  - (a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the Company’s ability to record, process, summarize and report financial information; and
  - (b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the Company’s internal control over financial reporting.

Date: May 16, 2022

By: /s/ Wenxiu Zhong  
Name: Wenxiu Zhong Title: Chief Executive Officer

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**CERTIFICATION OF THE CHIEF FINANCIAL OFFICER PURSUANT TO SECTION 302 OF THE  
SARBANES-OXLEY ACT OF 2002**

I, Yue Jin, certify that:

1. I have reviewed this annual report on Form 20-F of Baosheng Media Group Holdings Limited (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 Rules 13a-15(f) and 15d-15(f)) for the Company and have:
  - (a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the Company, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
  - (b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;
  - (c) Evaluated the effectiveness of the Company’s disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
  - (d) Disclosed in this report any change in the Company’s internal control over financial reporting that occurred during the period covered by the annual report that has materially affected, or is reasonably likely to materially affect, the Company’s internal control over financial reporting; and
5. The Company’s other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the Company’s auditors and the audit committee of the Company’s board of directors (or persons performing the equivalent function):
  - (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: May 16, 2022

By: /s/ Yue Jin

Name: Yue Jin

Title: Chief Financial Officer

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**CERTIFICATION OF THE CHIEF EXECUTIVE OFFICER PURSUANT TO SECTION 906 OF  
THE SARBANES-OXLEY ACT OF 2002**

In connection with the Annual Report of Baosheng Media Group Holdings Limited (the “Company”) on Form 20-F for the year ended December 31, 2021, as filed with the Securities and Exchange Commission on the date hereof (the “Report”), I, Wenxiu Zhong, 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: May 16, 2022

By: /s/ Wenxiu Zhong  
Name: Wenxiu Zhong  
Title: Chief Executive Officer

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**CERTIFICATION OF THE CHIEF FINANCIAL OFFICER PURSUANT TO SECTION 906 OF  
THE SARBANES-OXLEY ACT OF 2002**

In connection with the Annual Report of Baosheng Media Group Holdings Limited (the “Company”) on Form 20-F for the year ended December 31, 2021, as filed with the Securities and Exchange Commission on the date hereof (the “Report”), I, Yue Jin, 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: May 16, 2022

By: /s/ Yue Jin  
Name: Yue Jin  
Title: Chief Financial Officer

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May 16, 2022

**To: Baosheng Media Group Holdings Limited**

Floor 15, Yonghe East Building B, No.28 Andingmen East Avenue,  
Dongcheng District,  
Beijing, China

**Dear Sir or Madam,**

We hereby consent to the reference of our name under the following headings in the Annual Report on Form 20-F for the fiscal year ended December 31, 2021 (the “**Annual Report**”) of Baosheng Media Group Holdings Limited, which will be filed with the Securities and Exchange Commission (the “**SEC**”) in May 2022:

- A. “Item 3. Key Information—D. Risk Factors—Risks Related to Doing Business in China”;
- B. “Item 4. Information on the Company—B. Business Overview—Legal Proceedings”;
- C. “Item 4. Information on the Company—B. Business Overview—Regulation”;
- D. “Item 8. Financial Information—A. Consolidated Statements and Other Financial Information—Legal Proceedings”; and
- E. “Item 10. Additional Information—E. Taxation—People’s Republic of China Taxation”.

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.

Yours faithfully,

Beijing Dacheng Law Offices, LLP

Zhang Xue

Huang Xinmiao

