

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

FORM 20-F

(Mark One)

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

OR

ANNUAL REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934
For the fiscal year ended December 31, 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: 001-35224

Xunlei Limited

(Exact name of Registrant as specified in its charter)

N/A

(Translation of Registrant's name into English)

Cayman Islands

(Jurisdiction of incorporation or organization)

21-23/F, Block B, Building No. 12
No.18 Shenzhen Bay ECO-Technology Park, Keji South Road, Yuehai Street
Nanshan District, Shenzhen, 518057
The People's Republic of China
(Address of principal executive offices)

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The People's Republic of China

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

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

<u>Title of each class</u>	<u>Name of each exchange on which registered</u>	<u>Ticker symbol</u>
American depository shares, each representing five common shares Common shares, par value US\$0.00025 per share*	The NASDAQ Stock Market LLC (The NASDAQ Global Select Market) The NASDAQ Stock Market LLC (The NASDAQ Global Select Market)	XNET

* Not for trading, but only in connection with the listing on The NASDAQ Global Select Market of American depository shares.

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

NONE

(Title of Class)

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

NONE

(Title of Class)

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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: 337,257,946 common shares (excluding (i) 20,729,830 common shares that are (a) issued to our depository bank for the purpose of bulk issuance, (b) repurchased by the company, and (ii) 10,889,429 common shares and 274,057 American depository shares held by Leading Advice Holdings Limited, a share incentive awards holding platform) 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

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days.

Yes No

Indicate by check mark whether the registrant has submitted electronically every Interactive Data File required to be submitted pursuant to Rule 405 of Regulation S-T (§ 232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit such files).

Yes No

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

Large accelerated filer Accelerated filer Non-accelerated filer Emerging growth company

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

Yes No

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

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

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

US GAAP International Financial Reporting Standards as issued by the International Accounting Standards Board Other

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

If this is an annual report, indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act).

Yes No

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

Indicate by check mark whether the registrant has filed all documents and reports required to be filed by Sections 12, 13 or 15(d) of the Securities Exchange Act of 1934 subsequent to the distribution of securities under a plan confirmed by a court.

Yes No

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INTRODUCTION

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

- “we,” “us,” “our company,” “our,” or “Xunlei” refers to Xunlei Limited, a Cayman Islands company, its subsidiaries, its variable interest entity, or VIE, and the VIE’s subsidiaries;
- “China” or “PRC” refers to the People’s Republic of China, excluding, for the purpose of this annual report only, Hong Kong, Macau and Taiwan;
- “daily active user”, refers to a user who accessed to Mobile Xunlei through a mobile device, on a given day;
- “digital media content” refers to videos, music, games, software and documents transmitted in digital form;
- “monthly unique visitors,” in relation to our platform, refers to the number of different individual visitors who accessed Xunlei products (including websites and software) on our platform from the same computer at least once within a month; under this method, a user who accessed Xunlei products from two different computers would count as two unique visitors;
- “shares” or “common shares” refers to our common shares, par value US\$0.00025 per share;
- “subscriber,” refers to users who can access our premium acceleration services, including accounts temporarily suspended, but excluding sub-accounts and accounts on a trial basis.
- “ADSs” refers to our American depositary shares, each representing five common shares, and “ADRs” refers to any American depositary receipts that evidence our ADSs;
- “RMB” or “Renminbi” refers to the legal currency of China; and
- “US\$,” “dollars” or “U.S. dollars” refers to the legal currency of the United States.

We use U.S. dollar as reporting currency in our financial statements and in this annual report. Transactions in Renminbi are recorded at the rates of exchange prevailing when the transactions occur. Solely for the convenience of the reader, the translations of Renminbi amounts into U.S. dollars contained in this annual report were made at RMB6.3757 to US\$1.00, the rate released by the State Administration of Foreign Exchange of the People’s Republic of China on December 31, 2021. We make no representation that any Renminbi or U.S. dollar amounts could have been, or could be, converted into U.S. dollars or Renminbi, as the case may be, at any particular rate, the rates stated below, or at all. The PRC government imposes control over its foreign currency reserves in part through direct regulation of the conversion of Renminbi into foreign exchange and through restrictions on foreign trade.

FORWARD-LOOKING INFORMATION

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

- our business strategies, including the strategies to streamline our business and continue moving toward mobile internet;
- our future business development, results of operations and financial condition;
- our ability to maintain and strengthen our market position in China;
- our ability to retain subscribers for our premium acceleration and other services;
- our ability to develop new products and services and attract, maintain and monetize user traffic;
- trends and competition in the internet industry in China;
- rules and regulations governing the internet industry in China;
- our ability to handle intellectual property rights-related matters; and
- general economic and business conditions in China.

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

PART I

Item 1. Identity of Directors, Senior Management and Advisers

Not applicable.

Item 2. Offer Statistics and Expected Timetable

Not applicable.

Item 3. Key Information

Our Holding Company Structure and Contractual Arrangements with the Variable Interest Entity

Xunlei Limited is not a Chinese operating company but a Cayman Islands holding company with no equity ownership in its variable interest entity. We conduct our operations in China through (i) our PRC subsidiaries, and (ii) the variable interest entity, with which we have maintained contractual arrangements and its subsidiaries in China. PRC laws and regulations place certain restrictions on foreign ownership of companies that engage in value-added telecommunication service, and prohibit foreign investment in internet cultural operating service and online transmission of audio-visual programs service. Accordingly, we operate these businesses in China through the variable interest entity, and rely on contractual arrangements among our PRC subsidiaries, the variable interest entity and its shareholders to control the business operations of the variable interest entity. Revenues contributed by the variable interest entity accounted for 99.99%, 99.99% and 95.47% of our total revenues for the years of 2019, 2020 and 2021, respectively. As used in this annual report, “we,” “us,” “our company” and “our” refers to Xunlei Limited, its subsidiaries, and, in the context of describing our operations and consolidated financial information, the variable interest entity in China, Shenzhen Xunlei Networking Technologies Co., Ltd., or Shenzhen Xunlei, which was established in January 2003 to operate our Xunlei internet platform together with its various subsidiaries in the PRC. Investors in our ADSs are not purchasing equity interest in the variable interest entity in China but instead are purchasing equity interest in a holding company incorporated in the Cayman Islands.

A series of contractual agreements, including business operation agreement, equity pledge agreement, powers of attorney, exclusive technology support and services agreement, exclusive technology consulting and training agreement, proprietary technology license contract, intellectual properties purchase option agreement, equity interests disposal agreement, and loan agreements, have been entered into by and among our subsidiary, the variable interest entity and its respective shareholders. Terms contained in each set of contractual arrangements with the variable interest entity and its respective shareholders are substantially similar. As a result of the contractual arrangements, we have effective control over and are considered the primary beneficiary of the variable interest entity, and we have consolidated the financial results of the variable interest entity and its subsidiaries in our consolidated financial statements. For more details of these contractual arrangements, see “Item 4. Information on the Company—C. Organizational Structure—Agreements that provide us effective control over Shenzhen Xunlei.”

However, the contractual arrangements may not be as effective as ownership in providing us with control over the variable interest entity and we may incur substantial costs to enforce the terms of the arrangements. In addition, these agreements have not been tested in China courts. See “Item 3. Key Information—D. Risk Factors—Risks Related to Our Corporate Structure—We rely on contractual arrangements with the variable interest entity in China and its shareholders for our operations, which may not be as effective as ownership in providing operational control the variable interest entity and its subsidiaries” and “—The shareholders of Shenzhen Xunlei may have potential conflicts of interest with us, which may materially and adversely affect our business.”

There are also substantial uncertainties regarding the interpretation and application of current and future PRC laws, regulations and rules regarding the status of the rights of our PRC subsidiaries with respect to its contractual arrangements with the variable interest entity and its shareholders. It is uncertain whether any new PRC laws or regulations relating to variable interest entity structures will be adopted or if adopted, what they would provide. If our PRC subsidiaries or any of the variable interest entity is found to be in violation of any existing or future PRC laws or regulations, or fail to

obtain or maintain any of the required permits or approvals, the relevant PRC regulatory authorities would have broad discretion to take action in dealing with such violations or failures. See “Item 3. Key Information—D. Risk Factors—Risks Related to Our Corporate Structure—If the PRC government finds that the agreements that establish the structure for operating our businesses in China do not comply with PRC governmental restrictions on foreign investment in internet-related business and foreign investors’ mergers and acquisition activities in China, or if these regulations or the interpretation of existing regulations change in the future, we could be subject to severe penalties or be forced to relinquish our interests in those operations” and “—Uncertainties exist with respect to the interpretation and implementation of the enacted PRC Foreign Investment Law and how it may impact the viability of our current corporate structure, corporate governance and business operations.”

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

We face various risks and uncertainties related to doing business in China. Our business operations are primarily conducted in China, and we are subject to complex and evolving PRC laws and regulations. For example, we face risks associated with regulatory approvals on our future offshore offerings (if any), anti-monopoly regulatory actions, and oversight on cybersecurity and data privacy, as well as the lack of inspection by the Public Company Accounting Oversight Board, or the PCAOB, on our auditors, which may impact our ability to conduct certain businesses, accept foreign investments, or list on a United States or other foreign exchange. These risks could result in a material adverse change in our operations and the value of our ADSs, significantly limit or completely hinder our ability to continue to offer securities to investors, or cause the value of such securities to significantly decline or be of little or no value. For a detailed description of risks related to doing business in China, please refer to risks disclosed under “Item 3.D. Key Information—Risk Factors—Risks Related to Doing Business in China.”

PRC government’s significant authority in regulating our operations and its oversight and control over offerings conducted overseas by, and foreign investment in, China-based issuers could significantly limit or completely hinder our ability to offer or continue to offer securities to investors. Implementation of industry-wide regulations, including data security or anti-monopoly related regulations, in this nature may cause the value of such securities to significantly decline or be of little or no value. For more details, see “Item 3. Key Information—D. Risk Factors—Risks Related to Doing Business in China—The PRC government’s significant oversight and discretion over our business operation could result in a material adverse change in our operations and the value of our ADSs.”

Risks and uncertainties arising from the legal system in China, including risks and uncertainties regarding the enforcement of laws and quickly evolving rules and regulations in China, could result in a material adverse change in our operations and the value of our ADSs. For more details, see “Item 3. Key Information—D. Risk Factors—Risks Related to Doing Business in China—Uncertainties with respect to the PRC legal system could adversely affect us.”

The Holding Foreign Companies Accountable Act

The Holding Foreign Companies Accountable Act, or the HFCA Act, was enacted on December 18, 2020. The HFCA Act states that if the SEC determines that we have filed audit reports issued by a registered public accounting firm that has not been subject to inspection by the PCAOB for three consecutive years beginning in 2021, the SEC shall prohibit our shares or ADSs from being traded on a national securities exchange. Since our auditor is located in China, a jurisdiction where the PCAOB has been unable to conduct inspections without the approval of the Chinese authorities, our auditor is not currently inspected by the PCAOB, which may impact our ability to remain listed on a United States or other foreign exchange. The related risks and uncertainties could cause the value of our ADSs to significantly decline. For more details,

see “Item 3. Key Information—D. Risk Factors—Risks Related to Doing Business in China—The PCAOB is currently unable to inspect our auditor in relation to their audit work performed for our financial statements and the inability of the PCAOB to conduct inspections over our auditor deprives our investors with the benefits of such inspections” and “Item 3. Key Information—D. Risk Factors—Risks Related to Doing Business in China—Our ADSs will be prohibited from trading in the United States under the Holding Foreign Companies Accountable Act, or the HFCAA, in 2024 if the PCAOB is unable to inspect or fully investigate auditors located in China, or in 2023 if proposed changes to the law are enacted. The delisting of our ADSs, or the threat of their being delisted, may materially and adversely affect the value of your investment.”

Permissions Required from the PRC Authorities for Our Operations

We conduct our business primarily through our subsidiaries, variable interest entity and its subsidiaries in China. Our operations in China are governed by PRC laws and regulations. As of the date of this annual report, our PRC subsidiaries, variable interest entity and its subsidiaries have obtained the requisite licenses and permits from the PRC government authorities that are material for the business operations of our holding company, our PRC subsidiaries, the variable interest entity and its subsidiaries in China, including, among others, the value-added telecommunication services license, or VATS License and Online Culture Operation Permit. However, given the uncertainties of interpretation and implementation of relevant laws and regulations and the enforcement practices of relevant government authorities, we cannot assure you that we have obtained or will obtain all permits or licenses required for conducting our business in China. For example, neither Shenzhen Wangwenhua, an entity that operates a live streaming business, nor Shenzhen Xunlei, an entity that provides video content display services, is a registered owner of the license for online transmission of audio-visual programs. As a result, it is possible that relevant PRC government authorities could determine that these businesses are operating without sufficient licenses. In addition, we are in the process of application for the registration in the National Internet Audio-Visual Platforms Information Management System under the requirement of Notice 78 (defined below) for operating a live streaming business and providing video content display services. We may be required to obtain additional licenses, permits, filings or approvals for the functions and services of our platform in the future. For more detailed information, see “Item 3. Key Information—D. Risk Factors—Risks related to our business—We are strictly regulated in China. Any lack of requisite licenses or permits applicable to our businesses or to our third-party services providers and any changes in government policies or regulations may have a material and adverse impact on our businesses, financial condition and results of operations.”

In addition, our online game operating subsidiaries, Shenzhen Wangwenhua, Shenzhen Xunlei and Xunlei Games, have obtained a VATS License for operating our online games; and Shenzhen Xunlei, holding 100% of the equity interest in Shenzhen Wangwenhua and 70% of the equity interest in Xunlei Games, has obtained an Internet Publishing Services License for the publication of internet games, with an expiry date of September 17, 2022. However, neither Shenzhen Wangwenhua nor Xunlei Games has obtained an Internet Publishing Services License. Given the uncertainties of interpretation and implementation of relevant laws and regulations and the enforcement practices of relevant government authorities, we cannot assure you that Shenzhen Wangwenhua and Xunlei Games are not required to obtain Internet Publishing Services Licenses as well. As a result, relevant PRC government authorities may find that certain of our online game operating subsidiaries are engaged in internet publishing services without having the proper license and may penalize us accordingly. In such event, Shenzhen Wangwenhua and Xunlei Games could be ordered to cease the operations of such game publishing services, including to the extent of discontinuing our online games business operated by them, and could be subject to confiscation of illegal income and major equipment, or to fines. For more detailed information, see “Item 3. Key Information—D. Risk Factors—Risks related to our business—We may not be able to successfully address the challenges and risks we face in the online games market, such as a failure to operate popular, high-quality games or to obtain all the licenses required to operate online games, which may subject us to penalties from the relevant authorities, including the discontinuance of our online game business.”

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

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

Cash and Asset Flows through Our Organization

Under PRC laws, Xunlei Limited may provide funding to our PRC subsidiaries only through capital contributions or loans, and to our PRC consolidated variable interest entity only through loans, subject to satisfaction of applicable registration and approval requirements from the PRC government. For the year ended December 31, 2019, Xunlei Limited, through its intermediate holding companies, provided capital contribution of US\$100.0 million to its subsidiaries in China, and extended a loan of US\$20.0 million directly to its consolidated variable interest entity in China. Subsequently, there was no additional capital contribution or loan from Xunlei Limited to its subsidiaries or the VIE and the VIE’s subsidiaries in China. For the year ended December 31, 2019, 2020, and 2021, our consolidated variable interest entity received debt financing of US\$11.4 million, US\$2.5 million and US\$23.5 million from our WFOE, respectively.

Xunlei Limited is a holding company with no material operations of its own. We conduct our operations primarily through our PRC subsidiaries, the variable interest entity and its subsidiaries in China. As a result, Xunlei Limited’s ability to pay dividends depends upon dividends paid by our PRC subsidiaries. If our existing PRC subsidiaries or any newly formed ones incur debt on their own behalf in the future, the instruments governing their debt may restrict their ability to pay dividends to us. In addition, our wholly foreign-owned subsidiaries in China are permitted to pay dividends to us only out of its retained earnings, if any, as determined in accordance with PRC accounting standards and regulations. Under PRC law, each of our subsidiaries and the variable interest entity in China is required to make appropriations to certain statutory reserve funds or may make appropriations to certain discretionary funds, which are not distributable as cash dividends except in the event of a solvent liquidation of the companies. For more details, see “Item 5. Operating and Financial Review and Prospects—Liquidity and Capital Resources.” and “Item 3. Key Information—Risk Factors—Risks Related to Our Corporate Structure—We may rely principally on dividends and other distributions on equity paid by our PRC subsidiaries to fund any cash and financing requirements we may have. Any limitation on the ability of Giganology Shenzhen and Xunlei Computer to pay dividends to us could have a material adverse effect on our ability to conduct our business.”

Under PRC laws and regulations, our PRC subsidiaries and consolidated variable interest entity are subject to certain restrictions with respect to paying dividends or otherwise transferring any of their net assets to us. Remittance of dividends by a wholly foreign-owned enterprise out of China is also subject to examination by the banks designated by SAFE. The amounts restricted include the paid-up capital and the statutory reserve funds of our PRC subsidiaries and the net assets of our consolidated variable interest entity in which we have no legal ownership, totaling US\$245.9 million, US\$168.5 million and US\$169.2 million as of December 31, 2019, 2020 and 2021, respectively. For details, see “Item 3. Key Information—Risk Factors—Risks Related to Our Corporate Structure—PRC regulation of loans to, and direct investment in, PRC entities by offshore holding companies and governmental control of currency conversion may restrict or prevent us from making loans to our PRC subsidiaries and variable interest entity and its subsidiaries or making additional capital contributions to our PRC subsidiaries, which may materially and adversely affect our liquidity and our ability to fund and expand our business.”

In the year ended December 31, 2019, 2020, and 2021, no assets other than cash were transferred through our organization.

Xunlei Limited has not declared or paid any cash dividends, nor does it have any present plan to pay any cash dividends on its ordinary shares in the foreseeable future. We currently intend to retain most, if not all, of our available funds and any future earnings to fund the development and growth of our business. See “Item 8. Financial Information—A. Consolidated Statements and Other Financial Information—Dividend Policy.” For the material Cayman Islands, PRC and U.S. federal income tax consequences of an investment in our ADSs or ordinary shares, see “Item 10. Additional Information—E. Taxation.”

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The following discussion reflects the hypothetical taxes that might be required to be paid within mainland China, assuming that: (i) we have taxable earnings, and (ii) we determine to pay a dividend in the future:

	Tax calculation ⁽¹⁾
Hypothetical pre-tax earnings ⁽²⁾	100%
Tax on earnings at statutory rate of 25% ⁽³⁾	(25)%
Net earnings available for distribution	75%
Withholding tax at standard rate of 10% ⁽⁴⁾	(7.5)%
Net distribution to Parent/Shareholders	67.5%

Notes:

- (1) For purposes of this example, the tax calculation has been simplified. The hypothetical book pre-tax earnings amount, not considering timing differences, is assumed to equal taxable income in China.
- (2) Under the terms of VIE agreements, our PRC subsidiaries may charge the VIEs for services provided to VIEs. These service fees shall be recognized as expenses of the VIEs, with a corresponding amount as service income by our PRC subsidiaries and eliminate in consolidation. For income tax purposes, our PRC subsidiaries and VIEs file income tax returns on a separate company basis. The service fees paid are recognized as a tax deduction by the VIEs and as income by our PRC subsidiaries and are tax neutral.
- (3) Certain of our subsidiaries and VIEs qualifies for a 15% preferential income tax rate in China. However, such rate is subject to qualification, is temporary in nature, and may not be available in a future period when distributions are paid. For purposes of this hypothetical example, the table above reflects a maximum tax scenario under which the full statutory rate would be effective.
- (4) The PRC Enterprise Income Tax Law imposes a withholding income tax of 10% on dividends distributed by a foreign invested enterprise, or FIE, to its immediate holding company outside of China. A lower withholding income tax rate of 5% is applied if the VIE's immediate holding company is registered in Hong Kong or other jurisdictions that have a tax treaty arrangement with China, subject to a qualification review at the time of the distribution. For purposes of this hypothetical example, the table above assumes a maximum tax scenario under which the full withholding tax would be applied.

The table above is based on the assumption that all profits of the VIEs will be distributed as fees to our PRC subsidiaries under tax neutral contractual arrangements. If, in the future, the accumulated earnings of the VIEs exceed the service fees paid to our PRC subsidiaries (or if the current and contemplated fee structure between the intercompany entities is determined to be non-substantive and disallowed by Chinese tax authorities), the VIEs could make a non-deductible transfer to our PRC subsidiaries for the amounts of the stranded cash in the VIEs. This would result in the double taxation of earnings: once at the VIE level (non-deductible expense) and again at the WFOE level (for presumptive earnings on the transfer). This has the impact of reducing the amount available above from 67.5% to approximately 50.6% of pre-tax income, respectively. We believe this scenario to be remote.

Financial Information Related to Our Consolidated Variable Interest Entity

The following table presents the condensed consolidating schedule of financial information of Xunlei Limited (or the Parent), the WFOE (which is the primary beneficiary of the VIE), our other subsidiaries (excluding the WFOE), and the VIE and VIE's subsidiaries, for the years ended December 31, 2019, 2020 and 2021 and as of the dates presented.

Selected Condensed Consolidated Statements of Operations Data

	Year ended December 31, 2021					Consolidated Group
	Xunlei Limited	Other subsidiaries	WFOE	VIE and VIE's subsidiaries	Elimination	
Inter-company revenues ^{(1) (5)}	—	7,153	879	—	(8,032)	—
Third-party revenues	—	10,865	—	228,736	—	239,601
Third-party costs of revenues	—	(8,881)	—	(109,722)	—	(118,603)
Inter-company operating expenses ^{(1) (5)}	—	—	—	(8,032)	8,032	—
Third-party operating expenses	(3,302)	(10,281)	(552)	(110,367)	—	(124,502)
Profit from subsidiaries and consolidated VIE ⁽²⁾	3,935	—	2,913	—	(6,848)	—
Net income attributable to Xunlei Limited	1,191	876	3,059	2,913	(6,848)	1,191

	Year ended December 31, 2020					Consolidated Group
	Xunlei Limited	Other subsidiaries	WFOE	VIE and VIE's subsidiaries	Elimination	
Inter-company revenues ^{(1) (5)}	—	6,355	822	—	(7,177)	—
Third-party revenues	—	4	—	186,679	—	186,683
Third-party costs of revenues	—	(244)	(5)	(92,388)	—	(92,637)
Inter-company operating expenses ^{(1) (5)}	—	—	—	(7,177)	7,177	—
Third-party operating expenses	(1,438)	(9,235)	(433)	(101,421)	—	(112,527)
Loss from subsidiaries and consolidated VIE ⁽²⁾	(14,361)	—	(10,673)	—	25,034	—
Net loss attributable to Xunlei Limited	(13,840)	(3,757)	(10,604)	(10,673)	25,034	(13,840)

	Year ended December 31, 2019					Consolidated Group
	Xunlei Limited	Other subsidiaries	WFOE	VIE and VIE's subsidiaries	Elimination	
Inter-company revenues ^{(1) (5)}	—	6,482	820	—	(7,302)	—
Third-party revenues	—	3,197	—	178,070	—	181,267
Third-party costs of revenues	—	(190)	(5)	(99,718)	—	(99,913)
Inter-company operating expenses ^{(1) (5)}	—	—	—	(7,302)	7,302	—
Third-party operating expenses	(1,248)	(17,822)	(390)	(117,714)	—	(137,174)
Loss from subsidiaries and consolidated VIE ⁽²⁾	(57,787)	—	(56,328)	—	114,115	—
Net loss attributable to Xunlei Limited	(53,169)	(1,415)	(56,372)	(56,328)	114,115	(53,169)

Selected Condensed Consolidated Balance Sheet Data

	As of December 31, 2021					Consolidated Group USD'000
	Xunlei Limited USD'000	Other subsidiaries USD'000	WFOE USD'000	VIE and VIE's subsidiaries USD'000	Elimination USD'000	
Cash and cash equivalents	32,015	54,802	19,896	16,645	—	123,358
Short-term investments	40,972	68,307	—	6,373	—	115,652
Accounts receivable, net	—	132	—	26,003	—	26,135
Inventories	—	—	—	1,363	—	1,363
Amount due from group companies ⁽³⁾ ⁽⁵⁾	107,484	17,969	59,961	3,102	(188,516)	—
Due from related parties	—	175	16	15,387	—	15,578
Prepayments and other current assets	183	267	4,250	7,142	—	11,842
Restricted cash	—	—	—	4,078	—	4,078
Investments in subsidiaries and consolidated VIE ⁽²⁾	36,324	—	—	—	(36,324)	—
Long-term investments	—	25,028	—	6,467	—	31,495
Due from related parties, non-current portion	—	19,311	—	—	—	19,311
Property and equipment, net	—	240	—	57,417	—	57,657
Right-of-use assets	—	—	—	27	—	27
Intangible assets, net	—	—	—	8,299	—	8,299
Goodwill	—	—	—	23,136	—	23,136
Amount due from group companies, non-current portion ⁽³⁾	92,917	31,369	—	—	(124,286)	—
Other long-term prepayments and non-current assets	—	103	—	2,684	—	2,787
Total assets	309,895	217,703	84,123	178,123	(349,126)	440,718
Accounts payable	55	2,563	—	23,789	—	26,407
Amount due to group companies ⁽³⁾ ⁽⁵⁾	2,546	800	38,438	146,732	(188,516)	—
Due to related parties	1,506	—	—	91	—	1,597
Contract liabilities and deferred income, current portion	—	152	—	36,740	—	36,892
Income tax payable	—	31	49	2,451	—	2,531
Accrued liabilities and other payables	2,141	4,967	—	42,449	—	49,557
Lease liabilities, current portion	—	—	—	18	—	18
Bank borrowings, current portion	—	—	—	2,876	—	2,876
Contract liabilities and deferred income, non-current portion	—	—	—	845	—	845
Deferred tax liabilities	—	—	—	930	—	930
Bank borrowings, non-current portion	—	—	—	17,291	—	17,291
Lease liabilities, non-current portion	—	—	—	7	—	7
Deficits in subsidiaries and consolidated VIE ⁽²⁾	—	—	125,916	—	(125,916)	—
Amount due to group companies, non-current portion ⁽³⁾	—	87,917	5,000	31,369	(124,286)	—
Total liabilities	6,248	96,430	169,403	305,588	438,718	138,951
Total shareholders' equity/(deficits)	303,647	121,604	(85,280)	(125,916)	89,592	303,647
Non-controlling interests	—	(331)	—	(1,549)	—	(1,880)
Total liabilities, non-controlling interests and shareholders' equity	309,895	217,703	84,123	178,123	(349,126)	440,718

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	As of December 31, 2020					Consolidated Group USD'000
	Xunlei Limited USD'000	Other subsidiaries USD'000	WFOE USD'000	VIE and VIE's subsidiaries USD'000	Elimination USD'000	
Cash and cash equivalents	57,585	42,520	22,859	14,284	—	137,248
Short-term investments	47,525	70,296	—	—	—	117,821
Accounts receivable, net	—	—	—	22,983	—	22,983
Inventories	—	—	—	1,726	—	1,726
Amount due from group companies ⁽³⁾ ⁽⁵⁾	3,323	43,932	54,925	15,168	(117,348)	—
Due from related parties	—	—	15	10,955	—	10,970
Prepayments and other current assets	860	—	628	10,046	—	11,534
Restricted cash	—	—	—	1,541	—	1,541
Investments in subsidiaries and consolidated VIE ⁽²⁾	20,064	—	—	—	(20,064)	—
Long-term investments	—	21,028	—	5,706	—	26,734
Property and equipment, net	—	192	1	50,532	—	50,725
Right-of-use assets	—	39	—	1,915	—	1,954
Intangible assets, net	—	—	—	8,857	—	8,857
Goodwill	—	—	—	22,607	—	22,607
Amount due from group companies, non-current portion ⁽³⁾	175,720	7,663	—	—	(183,383)	—
Other long-term prepayments and non-current assets	—	—	—	905	—	905
Total assets	305,077	185,670	78,428	167,225	(320,795)	415,605
Accounts payable	55	1	—	20,588	—	20,644
Amount due to group companies ⁽³⁾ ⁽⁵⁾	10,750	358	—	106,240	(117,348)	—
Due to related parties	—	5,334	—	55	—	5,389
Contract liabilities and deferred income, current portion	1	—	—	34,040	—	34,041
Income tax payable	—	53	—	2,500	—	2,553
Accrued liabilities and other payables	2,118	3,069	141	33,361	—	38,689
Lease liabilities, current portion	—	49	—	1,912	—	1,961
Contract liabilities and deferred income, non-current portion	—	—	—	920	—	920
Deferred tax liabilities	—	—	—	1,085	—	1,085
Bank borrowings, non-current portion	—	—	—	19,924	—	19,924
Lease liabilities, non-current portion	—	—	—	27	—	27
Deficits in subsidiaries and consolidated VIE ⁽²⁾	—	—	128,816	—	(128,816)	—
Amount due to group companies, non-current portion ⁽³⁾	—	64,129	42,444	76,810	(183,383)	—
Total liabilities	12,924	72,993	171,401	297,462	(429,547)	125,233
Total shareholders' equity/(deficits)	292,153	113,037	(92,973)	(128,816)	108,752	292,153
Non-controlling interests	—	(360)	—	(1,421)	—	(1,781)
Total liabilities, non-controlling interests and shareholders' equity	305,077	185,670	78,428	167,225	(320,795)	415,605

	As of December 31, 2019					Consolidated Group USD'000
	Xunlei Limited USD'000	Other subsidiaries USD'000	WFOE USD'000	VIE and VIE's subsidiaries USD'000	Elimination USD'000	
Cash and cash equivalents	7,683	114,168	5,767	34,847	—	162,465
Short-term investments	102,555	—	—	292	—	102,847
Accounts receivable, net	—	1	—	27,532	—	27,533
Inventories	—	207	—	5,330	—	5,537
Amount due from group companies ⁽³⁾ ⁽⁵⁾	6,066	17,225	70,150	8,927	(102,368)	—
Due from related parties	—	—	14	1,644	—	1,658
Prepayments and other current assets	274	145	1,150	14,974	—	16,543
Restricted cash	—	—	—	2,983	—	2,983
Investments in subsidiaries and consolidated VIE ⁽²⁾	20,835	—	—	—	(20,835)	—
Long-term investments	—	21,028	—	5,337	—	26,365
Deferred tax assets	—	—	133	985	—	1,118
Property and equipment, net	—	353	—	38,417	—	38,770
Right-of-use assets	—	128	—	8,619	—	8,747
Intangible assets, net	—	—	—	9,426	—	9,426
Goodwill	—	—	—	20,382	—	20,382
Amount due from group companies, non-current portion ⁽³⁾	171,175	22,935	—	—	(194,110)	—
Other long-term prepayments and non-current assets	—	—	—	313	—	313
Total assets	308,588	176,190	77,214	180,008	(317,313)	424,687
Accounts payable	55	293	—	23,865	—	24,213
Amount due to group companies ⁽³⁾ ⁽⁵⁾	9,737	7,064	3,369	82,198	(102,368)	—
Due to related parties	—	5,000	—	2	—	5,002
Contract liabilities and deferred income, current portion	1	—	—	31,988	—	31,989
Income tax payable	—	114	—	2,436	—	2,550
Accrued liabilities and other payables	1,918	2,347	73	38,502	—	42,840
Lease liabilities, current portion	—	72	—	4,621	—	4,693
Contract liabilities and deferred income, non-current portion	—	—	—	1,223	—	1,223
Deferred tax liabilities	—	—	—	1,179	—	1,179
Bank borrowings, non-current portion	—	—	—	11,324	—	11,324
Lease liabilities, non-current portion	—	59	—	4,073	—	4,132
Deficits in subsidiaries and consolidated VIE ⁽²⁾	—	—	112,153	—	(112,153)	—
Amount due to group companies, non-current portion ⁽³⁾	—	62,406	39,701	92,003	(194,110)	—
Total liabilities	11,711	77,355	155,296	293,414	(408,631)	129,145
Total shareholders' equity/(deficits)	296,877	98,917	(78,082)	(112,153)	91,318	296,877
Non-controlling interests	—	(82)	—	(1,253)	—	(1,335)
Total liabilities, non-controlling interests and shareholders' equity	308,588	176,190	77,214	180,008	(317,313)	424,687

Selected Condensed Consolidated Statements of Cash Flows Data

	Year ended December 31, 2021					Consolidated Group
	Xunlei Limited	Other subsidiaries	WFOE	VIE and VIE's subsidiaries	Elimination	
Operating activities with external parties	(5,732)	8,654	(8,387)	24,945	—	19,480
Net cash (used in)/generated from operating activities	(5,732)	8,654	(8,387)	24,945	—	19,480
Loans to group companies ⁽⁴⁾	(26,391)	(23,527)	—	—	49,918	—
Repayment of loans from group companies ⁽⁴⁾	—	19,123	5,302	—	(24,425)	—
Other investing activities with external parties	6,553	(19,755)	—	(19,417)	—	(32,619)
Net cash (used in)/generated from investing activities	(19,838)	(24,159)	5,302	(19,417)	25,493	(32,619)
Loans from group companies ⁽⁴⁾	—	26,391	—	23,527	(49,918)	—
Repayment of loans to group companies ⁽⁴⁾	—	—	—	(24,425)	24,425	—
Other financing activities with external parties	—	—	—	(223)	—	(223)
Net cash generated from/(used in) financing activities	—	26,391	—	(1,121)	(25,493)	(223)
Net (decrease)/increase in cash and cash equivalents	(25,570)	10,886	(3,085)	4,407	—	(13,362)
Cash, cash equivalents and restricted cash at beginning of year	57,585	42,520	22,859	15,825	—	138,789
Effect of exchange rates on cash, cash equivalents and restricted cash	—	1,396	122	491	—	2,009
Cash, cash equivalents and restricted cash at end of year	32,015	54,802	19,896	20,723	—	127,436

	Year ended December 31, 2020					Consolidated Group
	Xunlei Limited	Other subsidiaries	WFOE	VIE and VIE's subsidiaries	Elimination	
Operating activities with external parties	649	(8,112)	6,975	(13,423)	—	(13,911)
Net cash generated from/(used in) operating activities	649	(8,112)	6,975	(13,423)	—	(13,911)
Loans to group companies ⁽⁴⁾	(1,802)	(2,463)	—	(6,329)	10,594	—
Repayment of loans from group companies ⁽⁴⁾	500	—	4,300	502	(5,302)	—
Other investing activities with external parties	55,030	(66,616)	(10)	(9,160)	—	(20,756)
Net cash generated from/(used in) investing activities	53,728	(69,079)	4,290	(14,987)	5,292	(20,756)
Loans from group companies ⁽⁴⁾	—	1,723	6,329	2,542	(10,594)	—
Repayment of loans to group companies ⁽⁴⁾	—	(500)	(502)	(4,300)	5,302	—
Other financing activities with external parties	(4,475)	—	—	7,154	—	2,679
Net cash (used in)/generated from financing activities	(4,475)	1,223	5,827	5,396	(5,292)	2,679
Net increase/(decrease) in cash and cash equivalents	49,902	(75,968)	17,092	(23,014)	—	(31,988)
Cash, cash equivalents and restricted cash at beginning of year	7,683	114,168	5,767	37,830	—	165,448
Effect of exchange rates on cash, cash equivalents and restricted cash	—	4,320	—	1,009	—	5,329
Cash, cash equivalents and restricted cash at end of year	57,585	42,520	22,859	15,825	—	138,789

	Year ended December 31, 2019					Consolidated Group
	Xunlei Limited	Other subsidiaries	WFOE	VIE and VIE's subsidiaries	Elimination	
Purchases of goods and services from group companies ⁽¹⁾	—	—	—	(11,941)	11,941	—
Sales of goods and services to group companies ⁽¹⁾	—	11,941	—	—	(11,941)	—
Other operating activities with external parties	3,854	(27,249)	(534)	(21,720)	—	(45,649)
Net cash generated from/(used in) operating activities	3,854	(15,308)	(534)	(33,661)	—	(45,649)
Capital contribution to group companies ⁽⁴⁾	(100,000)	—	—	—	100,000	—
Loans to group companies ⁽⁴⁾	(25,750)	(7,167)	(4,300)	(3,369)	40,586	—
Repayment of loans from group companies ⁽⁴⁾	2,459	10,413	—	485	(13,357)	—
Other investing activities with external parties	79,339	546	4,376	(5,001)	—	79,260
Net cash (used in)/generated from investing activities	(43,952)	3,792	76	(7,885)	127,229	79,260
Capital contribution from group companies ⁽⁴⁾	—	100,000	—	—	(100,000)	—
Loans from group companies ⁽⁴⁾	—	5,750	3,369	31,467	(40,586)	—
Repayment of loans to group companies ⁽⁴⁾	—	(2,388)	—	(10,969)	13,357	—
Other financing activities with external parties	—	470	—	11,707	—	12,177
Net cash generated from financing activities	—	103,832	3,369	32,205	(127,229)	12,177
Net (decrease)/increase in cash and cash equivalents	(40,098)	92,316	2,911	(9,341)	—	45,788
Cash, cash equivalents and restricted cash at beginning of year	47,781	24,598	2,856	47,695	—	122,930
Effect of exchange rates on cash, cash equivalents and restricted cash	—	(2,746)	—	(524)	—	(3,270)
Cash, cash equivalents and restricted cash at end of year	7,683	114,168	5,767	37,830	—	165,448

- (1) Intercompany sales of goods and services were eliminated at the consolidation level.
- (2) It represents the elimination of the investments in subsidiaries and VIE and VIE's subsidiaries by group companies.
- (3) It represents the elimination of intercompany balances among Xunlei Limited, other subsidiaries, WFOE and VIE and VIE's subsidiaries.
- (4) It represents the elimination of intercompany investing and financing activities among Xunlei Limited, other subsidiaries, WFOE and VIE and VIE's subsidiaries.
- (5) For the years ended December 31, 2019, 2020 and 2021, VIE has incurred US\$0.8 million, US\$0.8 million and US\$0.9 million in fees related to technical services provided by the WFOE and WFOE concurrently recognized the same amounts as revenues. Unsettled balance of such transactions was US\$11.7 million and US\$12.8 million as of December 31, 2020 and 2021, respectively.

A. Selected Financial Data

The following selected consolidated statements of operations data and the selected consolidated statements of cash flows data for the years ended December 31, 2019, 2020 and 2021 and the selected consolidated balance sheets data as of December 31, 2020 and 2021 have been derived from our audited consolidated financial statements, which are included in this annual report beginning on page F-1. The selected consolidated statements of operations data and the selected consolidated statements of cash flows data for the years ended December 31, 2017 and 2018 and the selected consolidated balance sheets data as of December 31, 2017, 2018 and 2019 have been derived from our audited consolidated financial statements not included in this annual report.

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The selected consolidated statements of operations data and cash flows data for the years ended December 31, 2017 and 2018 and the selected consolidated balance sheets data as of December 31, 2017 and 2018 have reflected the impact of retrospective adjustments for our divestiture of web game business in January 2018. The web game business has been classified as discontinued operations. In 2019, we started to operate web game business again under a different business model by cooperating with third parties. Revenues from new web game business have been included in the continuing operations.

Our audited consolidated financial statements are prepared and presented in accordance with accounting principles generally accepted in the United States, or U.S. GAAP. Our historical results do not necessarily indicate results expected for any future period. You should read the following selected financial data in conjunction with the consolidated financial statements and related notes and “Item 5. Operating and Financial Review and Prospects” included elsewhere in this annual report.

The following table presents our selected consolidated statements of comprehensive (loss)/income data for the years ended December 31, 2017, 2018, 2019, 2020 and 2021.

	For the Year Ended December 31,				
	2017	2018	2019	2020	2021
(in thousands of US\$, except for share, per share and per ADS data)					
Selected Consolidated Statements of Operations					
Data:					
Revenues, net of rebates and discounts	201,911	232,132	181,267	186,683	239,601
Business tax and surcharges	(1,328)	(1,528)	(602)	(312)	(819)
Net revenues	200,583	230,604	180,665	186,371	238,782
Cost of revenues	(117,876)	(115,667)	(99,913)	(92,637)	(118,603)
Gross profit	82,707	114,937	80,752	93,734	120,179
Operating expenses ⁽¹⁾					
Research and development expenses	(66,947)	(76,763)	(68,571)	(55,463)	(61,859)
Sales and marketing expenses	(19,888)	(35,322)	(31,820)	(18,064)	(24,569)
General and administrative expenses	(36,517)	(40,833)	(38,930)	(33,910)	(36,868)
Asset impairment loss, net of recoveries	(13,556)	(6,348)	2,147	(5,090)	(1,206)
Total operating expenses	(136,908)	(159,266)	(137,174)	(112,527)	(124,502)
Operating loss	(54,201)	(44,329)	(56,422)	(18,793)	(4,323)
Interest income	1,967	1,183	1,897	1,471	723
Interest expense	(239)	(239)	(75)	(406)	(95)
Other income, net	7,880	2,810	5,861	4,737	4,678
Shares of loss from equity investees	(1,875)	(307)	—	—	—
(Loss)/income from continuing operations before income tax	(46,468)	(40,882)	(48,739)	(12,991)	983
Income tax benefits/(expenses)	2,252	89	(4,676)	(1,149)	125
(Loss)/income from continuing operations	(44,216)	(40,793)	(53,415)	(14,140)	1,108
Discontinued operations:					
Income from discontinued operations	7,538	1,533	—	—	—
Income tax expenses	(1,131)	(230)	—	—	—
Net income from discontinued operations	6,407	1,303	—	—	—
Net (loss)/income	(37,809)	(39,490)	(53,415)	(14,140)	1,108
Less: net income/(loss) attributable to the non-controlling interest	13	(212)	(246)	(300)	(83)
Net (loss)/income attributable to Xunlei Limited's common shareholders	(37,822)	(39,278)	(53,169)	(13,840)	1,191
Weighted average number of common shares outstanding					
Basic	331,731,963	334,965,987	337,845,675	337,429,601	334,707,559
Diluted	331,731,963	334,965,987	337,845,675	337,429,601	335,969,780
Net (loss)/income per share attributable to Xunlei Limited from continuing operations					
Basic	(0.13)	(0.12)	(0.16)	(0.04)	—
Diluted	(0.13)	(0.12)	(0.16)	(0.04)	—
Net income per share attributable to Xunlei Limited from discontinued operations					
Basic	0.02	0.00	—	—	—
Diluted	0.02	0.00	—	—	—
Net (loss)/income attributable to holders of common shares of Xunlei Limited per ADS ⁽²⁾					
Basic	(0.57)	(0.59)	(0.79)	(0.21)	0.02
Diluted	(0.57)	(0.59)	(0.79)	(0.21)	0.02

Notes: We sold our web game business in January 2018. As a result, web game business is accounted for as discontinued operations and our consolidated statements of operations data in this annual report separate the discontinued operations from our remaining business operations for all years presented. In 2019, we started to operate web game business again under a different business model by cooperating with third parties. Revenues from web game business have been included in the continuing operations.

- (1) Share-based compensation expenses were allocated in operating expenses as follows:

	For the Year Ended December 31,				
	2017	2018	2019	2020	2021
	(in thousands of US\$)				
Research and development expenses	2,442	2,645	2,594	916	1,429
Sales and marketing expenses	88	404	381	185	59
General and administrative expenses	5,800	2,245	2,453	1,209	4,682
Total share-based compensation expenses	<u>8,330</u>	<u>5,294</u>	<u>5,428</u>	<u>2,310</u>	<u>6,170</u>

- (2) Each ADS represents five common shares. Net income/(loss) attributable to holders of common shares of Xunlei Limited per ADS is calculated based on net income/(loss) per share attributable to Xunlei Limited and multiplied by five.

The following table presents our selected consolidated balance sheet data as of December 31, 2017, 2018, 2019, 2020 and 2021.

	As of December 31,				
	2017	2018	2019	2020	2021
	(in thousands of US\$)				
Selected Consolidated Balance Sheets Data:					
Cash and cash equivalents	233,479	122,930	162,465	137,248	123,358
Short-term investments	138,915	196,538	102,847	117,821	115,652
Total current assets	430,783	362,899	316,583	302,282	293,928
Total assets	<u>533,437</u>	<u>455,431</u>	<u>424,687</u>	<u>415,605</u>	<u>440,718</u>
Accounts payable	49,819	22,629	24,213	20,644	26,407
Total current liabilities	141,696	108,035	111,286	103,276	119,878
Total liabilities	150,600	111,251	129,144	125,232	138,951
Total shareholders' equity	<u>384,997</u>	<u>345,296</u>	<u>296,878</u>	<u>292,154</u>	<u>303,647</u>
Non-controlling interest	(2,160)	(1,116)	(1,335)	(1,781)	(1,880)
Total liabilities and shareholders' equity	<u>533,437</u>	<u>455,431</u>	<u>424,687</u>	<u>415,605</u>	<u>440,718</u>

The following table presents our selected consolidated statements of cash flows data for the years ended December 31, 2017, 2018, 2019, 2020 and 2021.

	For the Year Ended December 31				
	2017	2018	2019	2020	2021
	(in thousands of US\$)				
Selected Consolidated Statements of Cash Flows Data:					
Net cash (used in)/generated from operating activities	(14,216)	(35,608)	(45,649)	(13,911)	19,480
Net cash generated from/(used in) investing activities	35,208	(69,357)	79,260	(20,756)	(32,619)
Net cash generated from/(used in) financing activities	2,561	929	12,177	2,679	(223)
Net increase/(decrease) in cash and cash equivalents and restricted cash	23,553	(104,036)	45,788	(31,988)	(13,362)
Effect of exchange rates on cash, cash equivalents and restricted cash	10,422	(6,513)	(3,270)	5,329	2,000
Cash, cash equivalents and restricted cash at beginning of year	199,504	233,479	122,930	165,448	138,789
Cash, cash equivalents and restricted cash at end of year	233,479	122,930	165,448	138,789	127,436

B. Capitalization and Indebtedness

Not applicable.

C. Reasons for the Offer and Use of Proceeds

Not applicable.

D. Risk Factors

Summary of Risk Factors

An investment in our ADSs involves significant risks. You should carefully consider all of the information in this annual report, including the risks and uncertainties described below, before making an investment in our ADSs. Any of the following risks could have a material adverse effect on our business, financial condition and results of operations. In any such case, the market price of our ADSs could decline, and you may lose all or part of your investment.

Risks Related to Our Business

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

- Our business model is currently undergoing significant innovation and transition, and our historical growth rate may not be indicative of our future performance and our new business may not be successful;
- The blockchain industry in China is an emerging industry. The laws and regulations governing the operation of blockchain products and services in China are developing and evolving and subject to changes. If we fail to comply with existing and future applicable laws, regulations or requirements of local regulatory authorities, our business, financial condition and results of operations may be materially and adversely affected;
- Regulatory uncertainties exist with respect to our historical LinkToken operations, which may have a material adverse effect on our business and results of operations;
- We may not be able to retain our large user base, convert our users into subscribers of our premium services or maintain our existing subscribers;
- The intellectual property protection mechanism we have implemented may not always be effective or sufficient. The premium acceleration services, Xunlei Cloud Drive and other value-added services we provide to our users have exposed us to and may continue to expose us to copyright infringement claims and other related claims, which could be time-consuming and costly. Any damage awards, injunctive relief and/or court orders could materially and adversely affect our existing business model, divert our management's attention and adversely impact our business and reputation;
- If we are unable to successfully capture and retain the growing number of mobile internet users or if we are unable to successfully monetize our mobile products, our business, financial condition and results of operations may be materially and adversely affected;
- We may be subject to the risks of overseas expansion;
- If we fail to keep up with the technological development in the internet industry and users' changing demand, our business, financial condition and results of operations may be materially and adversely affected;
- Our technologies, business methods and services, including those relating to our resource discovery network, may be subject to third-party patent claims or rights, such as issued patents or pending patent applications, that limit or prevent their use;

- We may be subject to claims or lawsuits outside of China, which could increase our risk of direct or indirect liabilities for our existing or future service offerings;
- We may not be able to prevent unauthorized use of our intellectual property or disclosure of our trade secrets and other proprietary information, which could reduce demand for our services and have material and adverse impact on our business, financial condition and results of operations;
- The revenue model for our live streaming may not remain effective and we cannot guarantee that our future monetization strategies will be successfully implemented or generate sustainable revenues and profit;
- We may fail to offer attractive content for our live streaming services, or attract and retain talented and popular broadcasters, which may materially adversely affect the operation of our live streaming services and its results of operations;
- We may be held liable for information or content displayed on, retrieved from or linked to our platforms, or distributed to our users, if such content is deemed to violate laws or regulations in China and other jurisdictions, or for improper or fraudulent activities conducted on our platform, and authorities in China and other jurisdictions may impose legal sanctions on us and our reputation may be damaged; and
- System failure, interruptions and downtime, including those caused by cyber-attacks or security breaches, can result in user dissatisfaction, adverse publicity or leakage of confidential information of our users and customers, and our business, financial condition, results of operations may be materially and adversely affected.

Risks Related to Our Corporate Structure

Risks and uncertainties relating to our corporate structure include, without limitation, the following:

- If the PRC government finds that the agreements that establish the structure for operating our businesses in China do not comply with PRC governmental restrictions on foreign investment in internet-related business and foreign investors' mergers and acquisition activities in China, or if these regulations or the interpretation of existing regulations change in the future, we could be subject to severe penalties or be forced to relinquish our interests in those operations;
- We rely on contractual arrangements with the variable interest entity in China and its shareholders for our operations, which may not be as effective as ownership in providing operational control the variable interest entity and its subsidiaries; and
- Any failure by Shenzhen Xunlei or its shareholders to perform their obligations under our contractual arrangements with them may have a material adverse effect on our business.

Risks Related to Doing Business in China

We are also subject to risks and uncertainties relating to doing business in China in general, including, but are not limited to, the following:

- Changes in China's economic, political or social conditions or government policies could have a material adverse effect on our business and operations;
- Regulation and censorship of information disseminated over the internet in China have adversely affected our business and may continue to adversely affect our business, and we may be liable for the digital media content on our platform;

- The PRC government’s significant oversight and discretion over our business operation could result in a material adverse change in our operations and the value of our ADSs;
- Uncertainties with respect to the PRC legal system could adversely affect us; and
- The PCAOB is currently unable to inspect our auditor in relation to their audit work performed for our financial statements and the inability of the PCAOB to conduct inspections over our auditor deprives our investors with the benefits of such inspections; and
- Our ADSs will be prohibited from trading in the United States under the Holding Foreign Companies Accountable Act, or the HFCAA, in 2024 if the PCAOB is unable to inspect or fully investigate auditors located in China, or in 2023 if proposed changes to the law are enacted. The delisting of our ADSs, or the threat of their being delisted, may materially and adversely affect the value of your investment.

General Risks Related to The ADSs

In addition to the risks described above, we are subject to general risks related to the ADSs, including, without limitation, the following:

- The market price of our ADSs may be volatile;
- You may be subject to limitations on transfer of your ADSs;
- The voting rights of holders of ADSs are limited by the terms of the deposit agreement, and you may not be able to exercise your right to direct how the common shares which are represented by your ADSs are voted; and
- You may face difficulties in protecting your interests, and your ability to protect your rights through the U.S. federal courts may be limited because we are incorporated under Cayman Islands law, we conduct almost all of our operations in China and substantially all of our directors and officers reside outside the United States.

Risks Related to Our Business

Our business model is currently undergoing significant innovation and transition, and our historical growth rate may not be indicative of our future performance and our new business may not be successful.

We launched our then core product, Xunlei Accelerator, in 2004 and cloud acceleration subscription services in 2009 to enable users to quickly access and consume digital media content. Coupled with our core products and services, we also provide a range of internet value-added services. Our cloud acceleration products have maintained nationwide popularity in the past few years. Our business model currently is undergoing significant innovation and continued transition to mobile internet. We have launched several new services and products in recent years, such as cloud computing products and products based on blockchain technology. The evolving business model and expansion into the new services involve new risks and challenges. For example, although our mobile acceleration plug-in has been officially adopted by Xiaomi’s operating systems and installed on Xiaomi phones, we cannot assure you that we will be able to form significant business partnerships with major smartphone makers other than Xiaomi so as to achieve broader acceptance of the Xunlei mobile products. We may also not be able to maintain the rapid growth of revenues from our mobile advertising, from which we generated revenues for the first time in the fourth quarter of 2015. There are also substantial uncertainties with respect to our cloud computing business and blockchain business. The technologies supporting our cloud computing business and blockchain business are new and rapidly evolving. If we fail to explore these new technologies and apply them innovatively to keep our products and services competitive, we may experience immediate decline in the growth of our business. In addition, the regulatory environment surrounding these businesses may also be evolving and any unfavorable developments may adversely affect our businesses. Furthermore, the profitability of our new initiatives has yet to be

proven. For example, although the blockchain technology is said to be of immeasurable potential, its commercial value is yet to be proved. Despite that we have devoted a significant amount of resources to the development of blockchain technology, we may not be able to realize our expected goals or create sufficient commercial values. As a result, our business, operating results, financial condition may be significantly and adversely affected.

In addition to uncertainties of our new initiatives, our traditional PC-based download acceleration subscriptions also experienced declines in recent years, partly due to the change of our users' online behaviors and the ongoing and intensified government scrutiny of internet content in China. Although we are continuously improving our existing products and services and rolling out new products and services to attract our subscribers, our efforts may not be successful. Our subscriber base generally declined from 4.4 million as of December 31, 2014 to 3.8 million as of December 31, 2020. As of December 31, 2021, our subscriber base increased back to 4.4 million. See “—We may not be able to retain our large user base, convert our users into subscribers of our premium services or maintain our existing subscribers” and “—Risks Related to Doing Business in China—Regulation and censorship of information disseminated over the internet in China have adversely affected our business and may continue to adversely affect our business, and we may be liable for the digital media content on our platform.”

Due to the abovementioned factors, our historical growth rate may not be indicative of our future performance and our new business initiatives may not be successful, and we cannot assure you that we will grow at the same rate as we did in the past, if at all.

The blockchain industry in China is an emerging industry. The laws and regulations governing the operation of blockchain products and services in China are developing and evolving and subject to changes. If we fail to comply with existing and future applicable laws, regulations or requirements of local regulatory authorities, our business, financial condition and results of operations may be materially and adversely affected.

We launched ThunderChain, a blockchain infrastructure platform, in 2018. Currently, our strategic focus in the blockchain sector is on the development of blockchain infrastructure. In 2022, we launched a blockchain-based enterprise digital collection service platform to utilize ThunderChain to provide a number of services, including digital collection minting, showcasing and management, among others. The digital collections minted via blockchain technology are permanently preserved in the ThunderChain with unique serial numbers through the deployment of smart contract technology.

The blockchain industry in China is an emerging industry. The PRC government has yet to establish a comprehensive regulatory framework. The laws and regulations governing the operation of blockchain products and services in China are also rapidly developing and evolving. On January 10, 2019, the Cyberspace Administration of China, or CAC, issued the *Provisions on the Administration of Blockchain Information Services*, or the Blockchain Provisions, which came into effect on February 15, 2019. Pursuant to the Blockchain Provisions, a blockchain information service provider is required to file particulars of such service provider including its name, service category, service form, application field, and server address with the blockchain information service filing management system managed by the CAC and go through filing procedures within ten business days after it starts to provide services. After completing the filing procedure, the blockchain information service provider should display the filing number in a conspicuous position on the service provider's websites and applications through which it provides services. Our subsidiaries providing blockchain information services have completed these filing procedures with relevant regulatory authorities and obtained the filing numbers. In addition, the operations of our blockchain services are still at an early stage. We may be required to make additional filings if we make further adjustments to our business operations. We cannot assure you that we will always be able to timely obtain or renew relevant permits, approvals or licenses that may be viewed necessary for our blockchain operations. If we fail to maintain any of these required permits, approvals or licenses in a timely manner, or at all, we may be subject to various penalties, including fines and discontinuation of or restriction on our operations. Any such disruptions in our business operations may have a material and adverse effect on our business, results of operations and financial condition.

Laws and regulations in China, such as Circular on Further Preventing and Disposing of Risks in Virtual Currency Trading and Speculation, prohibit all fungible tokens trading activities, including but not limited to, initial coin offerings, information intermediary and pricing services, derivative transactions, among others. However, due to the lack of laws

and regulations specifically addressing non-fungible tokens, or NFTs, substantial uncertainties exist with respect to the definition and scope of NFTs as well as how NFT-related businesses are regulated in China. Therefore, as of the date of this report, it is unclear whether the digital collections provided on our platform would be recognized as NFTs, whether the services we provide would be subject to laws and regulations regulating fungible token trading activities and, if so, how our services would be regulated. New laws or regulations or the interpretation and application of existing laws or regulations concerning token-related services, may be inconsistent with our practices and thus we may need to adjust our business to comply with new laws, regulations and orders from competent governmental authorities, if any, from time to time, which could cause us to incur substantial costs or require us to change our business practices in a manner materially adverse to our business. We cannot assure you that we would be able to satisfy the governmental authorities' orders or requirements and fully comply with any new token-related rules or interpretations on a timely basis. We might be subject to additional regulatory risks, including adjustment or even termination of our current business practices, and our business and results of operations may be adversely affected.

In addition to filing requirements, the Blockchain Provisions also imposed an array of other requirements on the providers of blockchain information services. See “Item 4. Information on the Company—B. Business Overview—Regulation—Regulation on Blockchain Information Services” for more details. Failure to comply with relevant requirements in the Blockchain Provisions may subject us to administrative penalties such as warning, being ordered to temporarily suspend relevant business operations to rectify within prescribed time period, or fines, or criminal liabilities, depending on which provisions are violated.

Since the blockchain technology and other related technologies are evolving rapidly, new laws, regulations and governmental policies are expected to be adopted from time to time by relevant PRC authorities to impose additional restrictions or require licenses or permits for operating blockchain related business. We are unable to predict with certainty the impact, if any, that future legislation, judicial interpretations or regulations relating to the blockchain industry will have on our business, financial condition and results of operations. To the extent that we are not able to fully comply with any new laws or regulations when they are promulgated, our business, financial condition and results of operations as well as the price of our ADSs may be materially and adversely affected.

Regulatory uncertainties exist with respect to our historical LinkToken operations, which may have a material adverse effect on our business and results of operations.

LinkToken was developed in 2017. It was essentially a type of digital ticket. The underlying technology of LinkToken was blockchain technology. Users of OneThing Cloud could be rewarded with LinkTokens by voluntarily participating in OneThing Cloud reward program to share idle uplink bandwidth capacities and external storage to us. The amount of LinkTokens awarded depended on a number of factors including, but not limited to, the size of bandwidth and external storage users contribute, the length of time online, and the usage of computing resources. Rewarded LinkTokens could be used to redeem for a variety of products and services offered in the LinkToken Mall. In 2018, we disposed of the LinkToken operations and the related assets and liabilities to an independent third party. Upon the completion of the disposal in April 2019, the independent third party obtained the exclusive right to carry out LinkToken operations inside and outside mainland China, including without limitation, the formulation, amendment and execution of the rules governing the rewarding of LinkToken to users, operations of LinkToken Pocket and the LinkToken Mall. After the disposal, subject to rewarding rules determined by the independent third party, users of OneThing Cloud could still voluntarily participate in OneThing Cloud reward program to share idle uplink bandwidth capacities and external storage and be rewarded with LinkToken. In May 2019, we terminated our technical support to the independent third party with respect to its LinkToken operations. In April 2020, the independent third party terminated OneThing Cloud reward program, as a result of which users can no longer be rewarded with LinkTokens. Meanwhile, we launched our own reward program, which allows users to share idle uplink bandwidth capacities and external storage with us in exchange for a small amount of cash rewards. Although we have no longer been operating OneThing Cloud reward program since our disposal of LinkToken, we periodically receive user complaints regarding LinkToken, including the termination of OneThing Cloud reward program, which could cause reputational harm to our business operations and might also have a negatively impact on our business and results of operations.

Although we have no longer been operating LinkTokens after our disposal of such business to the independent third party, new laws, regulations and governmental policies regarding virtual coins may still be interpreted or even

retroactively enforced against us regarding our previous dealings with LinkToken. On September 4, 2017, People’s Bank of China, the Office of the Central Leading Group for Cyberspace Affairs, the MIIT, the State Administration for Industry and Commerce, the China Banking Regulatory Commission, the China Securities Regulatory Commission, and the China Insurance Regulatory Commission jointly promulgated the Announcement on Prevention of Token Fundraising Risks to strengthen the administration of the initial coin offerings activities. Pursuant to the announcement, “fundraising through token offerings” is referred to as a type of fundraising activities where an issuer raises “virtual currencies” such as Bitcoin or Ether from investors through the illegal issuance and subsequent circulation of tokens. Pursuant to the announcement, token fundraising activity is essentially an illegal public fundraising activity without obtaining government’s approval. It is a suspected illegal offering of tokens, illegal offering of securities, illegal fundraising, financial fraud, pyramid scheme, which are criminal offenses under the PRC law. The announcement prohibits fundraising activities through token issuance. In addition, the announcement also provides that token trading platform should not be engaged in (i) the exchange between any statutory currency with tokens and “virtual currencies,” (ii) the trading, either as a central counterparty or not, of the tokens or “virtual currencies,” and (iii) token or “virtual currency” pricing, information intermediary services or other services for tokens or “virtual currencies.” To date, no governmental financial regulators have imposed any administrative penalties against us relating to LinkTokens on the basis that we engaged in token fundraising activities. However, we cannot assure you that going forward, relevant PRC authorities would have the same view with us and would not impose retroactive regulatory restrictions or penalties on us for our prior dealings with LinkToken. Were that to happen, we might be subject to additional regulatory risks, and our business and results of operations may be adversely affected.

We may not be able to retain our large user base, convert our users into subscribers of our premium services or maintain our existing subscribers.

Our platform had approximately 48.0 million monthly unique visitors in December 2021 according to our internal record. If we are unable to consistently provide our users with quality services and experience, if users do not perceive our service offerings to be of value, or if we introduce new or adjust existing features or change the mix of digital media content in a manner that is not favorably received by our users, we may not be able to retain our existing user base.

We experienced a decline in the number of subscribers partly due to the intensified scrutiny over internet content from the Chinese government, and may experience further downward pressure in the future. With a government campaign against inappropriate internet content launched in April 2014, we have put in more efforts to monitor the content on our platform. All the measures we adopt in response to increasing regulatory scrutiny may materially and adversely affect user experience on our platform and make our services less attractive to our subscribers, leading to a decline in the number of subscribers. We saw a reduction of a total of 4.4 million subscribers as of December 31, 2014, and permitted temporary suspension of services by about 350,000 existing subscribers as of December 31, 2014. Although the permitted temporary suspension of services gradually reduced to 173,000 existing subscribers as of December 31, 2021, such favorable trends may not sustain, and any increase in the number of subscribers may not necessarily lead to a corresponding increase in revenue. Similar government action or other forces may make it challenging for us to retain our user base, or may contribute to a further decline in our user base, in the future. See “—Risks Related to Doing Business in China—Regulation and censorship of information disseminated over the internet in China have adversely affected our business and may continue to adversely affect our business, and we may be liable for the digital media content on our platform.”

In the long term, even without taking into account the abovementioned government restrictions, we cannot assure you that we would be able to retain our large user or subscriber base. For example, our efforts to provide greater incentives for our users to subscribe, including marketing activities to highlight the value of differentiated subscriber-only services, such as Green Channel, may not continue to succeed. Our subscribers may stop their subscriptions or other spending on our products or services because we no longer serve their needs or if we are unable to offer a satisfying user experience or successfully compete with current and new competitors in both retaining our existing subscribers and attracting new subscribers, which would adversely impact our business, results of operations and prospects. In addition, the development of technologies may also render our acceleration technology obsolete. For example, the development of 5G technology significantly increased the speed of wireless mobile communications. Although people generally expect 5G technology would significantly change people’s life, when and how it will happen are yet to be fully demonstrated. The new technology will create new business opportunities, but it may also alter people’s online habits, which in turn may have a negative impact on our businesses such as our membership subscription and cloud computing products and services.

The intellectual property protection mechanism we have implemented may not always be effective or sufficient. The premium acceleration services, Xunlei Cloud Drive and other value-added services we provide to our users have exposed us to and may continue to expose us to copyright infringement claims and other related claims, which could be time-consuming and costly. Any damage awards, injunctive relief and/or court orders could materially and adversely affect our existing business model, divert our management's attention and adversely impact our business and reputation.

Our success depends, in large part, on our ability to operate our business without infringing, misappropriating or otherwise violating third-party rights, including third-party intellectual property rights. Internet, technology and media companies are frequently involved in litigations based on allegations of infringement of intellectual property rights, unfair competition, invasion of privacy, defamation and other violations of third-party rights. In the ordinary course of our business, we receive, from time to time, written notices from third parties claiming that certain contents and games on our network, websites, products or services infringe their copyrights or the copyrights of third parties. These notices may contain threats to take legal actions against us or requests for cessation of distribution, marketing or displaying such contents or games on our network, websites, products or services. As of the date of this annual report, we are involved in 12 pending copyright lawsuits in China. Almost all of these claims alleged that contents on our network, products or services constitute infringements of the plaintiffs' copyrights. The total amount of damages claimed in these pending copyright lawsuits is approximately RMB5.6 million (US\$0.9 million). See also "Item 8. Financial Information—A. Consolidated Statements and Other Financial Information—Legal Proceedings." While we believe that none of these pending lawsuits are likely to have a material adverse effect on our business, claims alleging copyright infringement or other claims arising from the content accessible through our distributed computing network, or on our websites or through our other services, with or without merit, may lead to damage awards and/or court orders, diversion of our management's attention and financial resources and negative publicity affecting our brand and reputation, and therefore may adversely affect our results of operations and business prospects.

We provide subscribers with limited space to temporarily store content downloaded on our servers for optimal acceleration performance. Subscribers may also request our cloud servers to transmit a file on their behalf and download it to their local storage. We also provide users with cloud storage services through Xunlei Cloud Drive, which allows users to download and upload documents, images, audios, videos and other files to cloud servers at an accelerated speed. See "Item 4. Information on the Company—B. Business Overview—Our Platform." In addition, certain of our services allow users to upload files and various media contents after they create accounts with us, converting the files into links and sharing such links with designated persons. We do not provide users with any links to third parties, nor do we download or save any contents from third parties for our users on our own initiative. Although we have made commercially reasonable efforts to request users to comply with applicable intellectual property laws, we cannot ensure that all of our users have the rights to use, transmit or share these contents if such content infringes third-party intellectual property rights. We have implemented internal procedures to meet the requirements under relevant PRC laws and regulations to monitor and review contents available on our platform, and remove contents promptly once we receive notice of infringement from the legitimate right holder. See also "Item 4. Information on the Company—B. Business Overview—Intellectual Property—Digital media data monitoring and copyright protection" for more details. However, due to the significant amount of digital media content accessible through our acceleration services and other value-added services, we cannot guarantee the effectiveness of our current implementation of intellectual property protection mechanisms and measures. We may be liable for temporarily storing or transmitting content or creating links representing content on behalf of our subscribers if such content infringes third-party intellectual property rights, and any such potential legal liabilities could materially and adversely affect our business.

The validity, enforceability and scope of protection of intellectual property in internet-related industries in different jurisdictions are uncertain and still evolving. As we face increasing competition and as litigation becomes more common in resolving commercial disputes in our business expansion in overseas countries, we face a higher risk of intellectual property infringement claims. The Supreme People's Court of China promulgated a judicial interpretation on infringement of the right of internet dissemination in December 2012 which was revised in December 2020 and became effective on January 1, 2021. This judicial interpretation provides that the courts will require service providers to remove not only links or content that have been specifically mentioned in the notices of infringement from rights holders, but also links or content they "should have known" to contain infringing content. The interpretation further provides that where an internet service provider has directly obtained economic benefits from any content made available by an internet user, it has a higher duty of care with respect to internet users' infringement of third-party copyrights. This interpretation may

subject us and other internet service providers to significant administrative burdens and litigation risks. See “Item 4. Information on the Company—B. Business Overview—Regulation— Regulation on Intellectual Property Rights.” Interested parties may lobby for more robust intellectual property protection in jurisdictions in which we conduct business or may conduct business, and intellectual property laws in China and other such jurisdictions where we have business operations such as the Middle East and Southeast Asia may become less favorable to our business. Intellectual property litigation may be expensive and time-consuming and could divert management attention and resources. If there is a successful claim of infringement, we may be required to discontinue the infringing activities, pay substantial fines and damages and/or seek royalty or license agreements that may not be available on commercially acceptable terms, if at all. Our failure to obtain the required licenses on a timely basis could harm our business. Any intellectual property litigation and/or any negative publicity by third parties alleging our intellectual property infringement could have a material adverse effect on our business, reputation, financial condition or results of operations. To address the risks relating to intellectual property infringement, we may have to substantially modify, limit or, in extreme cases, terminate some of our services. Any of such changes could materially affect our users’ experience and in turn have a material adverse impact on our business.

In addition, as our business expands overseas, we may be subject to intellectual property infringement claims and lawsuits in jurisdictions other than China, such as the Middle East and Southeast Asia. The costs of performing these procedures and obtaining authorization and licensing for the growing content on our platform and use of such content in the various jurisdictions into which we may expand our business may increase, which could materially and adversely affect our business, financial condition and results of operations.

If we are unable to successfully capture and retain the growing number of mobile internet users or if we are unable to successfully monetize our mobile products, our business, financial condition and results of operations may be materially and adversely affected.

An increasing number of users access our products and services through mobile devices, and the transition to mobile internet is a key part of our current business strategies. Products such as Xunlei Accelerator are now available to users from PCs as well as mobile devices, and we intend to continue expanding the number of mobile products we offer. An important element of our strategy to transition to mobile internet is to continue to further develop features for our mobile products and to develop new mobile products to capture a greater share of the growing number of users that access internet services such as ours through mobile devices. For example, we developed Mobile Xunlei, which allows users to search, download and consume digital media content on their mobile devices in a user-friendly way. As new laptops, mobile devices and operating systems are continually being released, it is difficult to predict the problems we may encounter in developing our products for use on these devices and operating systems, and we may need to devote significant resources to create, support and maintain these services. Devices providing access to our products and services are not manufactured and sold by us, and we cannot assure you that companies manufacturing or selling these devices would always ensure that their devices perform reliably and are maximally compatible with our systems. Any faulty connection between these devices and our products may result in user dissatisfaction with our products, which could damage our brand and have a material and adverse effect on our financial results. In addition, the lower resolution, functionality and memory associated with some mobile devices may make the use of our products and services through such devices more difficult and the versions of our products and services we develop for these devices may fail to attract users. Manufacturers or distributors may establish unique technical standards for their devices and, as a result, our products may not work or work properly or be viewable on all devices on which they are installed. Furthermore, new, comparable products which are specifically created to function on mobile operating systems, as compared to some of our products that were originally designed to be accessed from PCs, and such new entrants may operate more effectively on mobile devices than our mobile products do.

In addition, if we are unable to attract and retain the increasing number of users who access our products through mobile devices, or if we are slower than our competitors in developing attractive services adaptable for mobile devices, we may fail to capture a significant share of an increasingly important portion of the market or may lose existing users. In addition, even if we are able to retain the increasing number of users who access our services through mobile devices, we may not be able to successfully monetize them in the future. For example, because of the inherent limitations of mobile devices, we may not be able to provide as many kinds of products on mobile devices as we do on PC, which may limit the monetization potential of our mobile products and services.

We may be subject to the risks of overseas expansion.

We have been exploring opportunities in overseas market. In 2021, we launched Hiya, an audio live streaming platform in overseas markets. Currently, users of this product are mainly from the Middle East and Southeast Asia. Operating business internationally may expose us to additional risks and uncertainties. As we have very limited experience in operating our business in overseas markets, we may be unable to attract a sufficient number of users, fail to anticipate competitive conditions or face difficulties in operating effectively in overseas markets. We may also fail to adapt our business models to the local market due to various legal requirements and market conditions. Our international operations and expansion efforts have resulted and may continue to result in increased costs and are subject to a variety of risks, including difficulties in obtaining licenses, approvals or other applicable government authorizations, content controls imposed by local authorities, uncertain enforcement of our intellectual property rights, potential claims for intellectual property infringements and the complexity of compliance with foreign laws and regulations. Compliance with applicable laws, regulations and rules related to our business, including those related to live streaming services, content restrictions, data privacy, virtual items, anti-corruption laws, anti-money laundering and protection of minors, results in costs and potential risks in doing business in multiple jurisdictions including the Middle East and Southeast Asia. In some cases, compliance with the laws and regulations in one jurisdiction may result in a violation of the laws and regulations of another jurisdiction. As we expand our business overseas, we cannot assure you that we will be able to fully comply with the legal requirements of each jurisdiction and successfully adapt our business model to local market conditions. Due to the complexities involved in the expansion of our business globally, we cannot assure you that we will be able to comply with all local laws or regulations, including licensing requirements, in a timely or complete manner.

We also could be significantly affected by other risks associated with international activities including, but not limited to, economic and labor conditions, increased duties, taxes and other costs and political instability. Margins on sales of our products in foreign countries, and on sales of products that include components obtained from foreign suppliers, could be materially and adversely affected by international trade regulations, including duties, tariffs and antidumping penalties. We are also exposed to credit and collectability risk on our trade receivables with customers in certain international markets. There can be no assurance that we can effectively limit our credit risk and avoid losses. In addition, political instability may also expose us to additional risks and uncertainties. If any of these economic or political risks materialize and we have failed to anticipate and effectively manage them, we may suffer a material adverse effect on our business and results of operations.

If we fail to keep up with the technological development in the internet industry and users' changing demand, our business, financial condition and results of operations may be materially and adversely affected.

The internet industry is rapidly evolving and subject to continual technological changes. As the internet infrastructure continues to develop, the internet may become more easily accessible through alternative technological innovations in the future, which may make our existing products and services less attractive to our users, and we may lose our existing users and fail to attract new users, which may further adversely impact our business, financial condition and results of operations.

In addition, user demand for internet content may also shift over time. Currently, internet users appear to have significant demand for multimedia acceleration, online games and online streaming services, and we expect such demand to continue. However, we cannot assure you that the behavior of internet users will not change in the future. For example, it is expected that the development of 5G technology may have certain impacts on mobile internet user's behavior. If 5G technology reduces our users' demand for internet acceleration, our membership subscription and cloud computing services will be negatively affected unless we are able to successfully develop alternative products or services to take advantage of new opportunities created by this new technology. If we fail to upgrade our services in response to changes in user demand in an effective and timely manner, the number of our users and advertisers may decrease. Furthermore, changes in technologies and user demand may require substantial capital expenditures in product development and infrastructure. To further expand our user base and offer our users a wider range of access points, we are expanding our business to mobile devices in part through potentially pre-installed acceleration products in mobile phones. In addition, we are continually developing and upgrading products and services, including our cloud computing services, which is expected to utilize the idle capacity of our users, and seeking strategic cooperation with hardware manufacturers such as smartphone makers, which may require significant resources from us. However, if we are not able to perfect our new

technologies or to achieve the intended results or if our innovations cannot respond to the needs of our users or if our users are not attracted to our upgraded or new products and services, we may not be able to maintain or expand our user base, and our business, results of operations and prospects may be materially and adversely affected.

Our technologies, business methods and services, including those relating to our resource discovery network, may be subject to third-party patent claims or rights, such as issued patents or pending patent applications, that limit or prevent their use.

We cannot assure you that our technologies, business methods and services, including those relating to our resource discovery network, will be free from claims of patent infringements, and that holders of patents would not seek to enforce such patents against us in China, the United States or any other jurisdictions. For example, we were involved in a patent infringement case in China. The plaintiff alleged that our acceleration service infringed the plaintiff's patent rights. In November 2018, the court dismissed the plaintiff's all claims. The plaintiff subsequently appealed but its claims were dismissed by the appellate court as well. In March 2020, the plaintiff filed a petition to retrial case. In April 2020, the court has declined to retry the case. We are currently not involved in any patent infringement case in China. We believe that our products do not infringe any third-party patents of which we are aware. However, our analysis may have failed to identify all relevant patents and patent applications. For example, there may be currently pending applications, unknown to us, that may later result in issued patents that are infringed by our products, services or other aspects of our business. There could also be existing patents of which we are not aware that our products may inadvertently infringe. Third parties may attempt to enforce such patents against us. Further, the application and interpretation of China's patent laws and the procedures and standards for granting patents in China are still evolving and are uncertain, and we cannot assure you that PRC courts or regulatory authorities would agree with our analysis. Any patent infringement claims, regardless of their merits, could be time-consuming and costly to us. If we were found to infringe third-party patents and were not able to adopt non-infringing technologies, we may be severely limited in our ability to operate our business, and our results of operations could be materially and adversely affected.

We may be subject to claims or lawsuits outside of China, which could increase our risk of direct or indirect liabilities for our existing or future service offerings.

We may be subject to claims or lawsuits outside China, such as the United States, the Middle East and Southeast Asia, by virtue of our listing in the United States, the ownership of our ADSs by investors, doing business in overseas markets, the extraterritorial application of foreign law by foreign courts or for other reasons. We have attracted and expect to continue to attract attention from intellectual property owners outside of China. With the expansion of our overseas business, users in different jurisdictions such as the Middle East and Southeast Asia are able to access our products and services. If we are determined to be bound by the copyright laws and regulations in jurisdictions outside China by virtual of allowing users in those jurisdictions to access our products and services, we would be subject to heightened risks of intellectual property infringement liabilities. If a claim of infringement brought against us in the United States or other jurisdictions is successful, we may be required to (i) pay substantial statutory or other damages and fines, (ii) remove relevant content from our website, (iii) discontinue products or services, (iv) disable access through our service to certain sites or content; (v) terminate users; and/or (vi) seek royalty or license agreements that may not be available on commercially reasonable terms or at all.

In addition, as a publicly listed company, we may be exposed to increased risk of litigation. For example, we were involved in shareholder class action lawsuits in the United States. See "Item 8. Financial Information—A. Consolidated Statements and Other Financial Information—Legal Proceedings." We may be involved in more class action lawsuits in the future. While we believe the claims are without merit, such kinds of lawsuits could divert a significant amount of our management's attention and other resources from our business and operations, which could harm our results of operations and require us to incur significant expenses to defend the lawsuits. Any such class action suit, whether or not successful, could harm our reputation and restrict our ability to raise capital in the future. In addition, if a claim is successfully made against us, we may be required to pay significant damages, which could have a material adverse effect on our financial condition and results of operations.

We may not be able to prevent unauthorized use of our intellectual property or disclosure of our trade secrets and other proprietary information, which could reduce demand for our services and have material and adverse impact on our business, financial condition and results of operations.

Our patents, trademarks, trade secrets, copyrights and other intellectual property rights are important assets for us. Events that are outside of our control may pose a threat to our intellectual property rights. For example, effective intellectual property protection may not be available in China and some other jurisdictions in which our services are distributed or made available through the internet. Also, the efforts we have made to protect our proprietary rights may not be sufficient or effective. For example, the legal regimes relating to the recognition and enforcement of intellectual property rights in China and South America are particularly limited. Therefore, legal proceedings to enforce our intellectual property in these jurisdictions may progress slowly, during which time infringement may continue largely unimpeded. Countries that have relatively inefficient intellectual property protection and enforcement regimes represent a significant portion of the demand for our products. These factors may make it more challenging for us to enforce our intellectual property rights against infringement. The infringement of our intellectual property rights, particularly in these jurisdictions, may materially harm our business and competitiveness in these markets and elsewhere by reducing our sales, and adversely affecting our results of operations, and diluting our brand or reputation. Any significant impairment of our intellectual property rights could harm our business or our competitiveness. Also, protecting our intellectual property rights is costly and time consuming. Any increase in the unauthorized use of our intellectual property could make it more expensive to conduct our business and harm our results of operations.

We seek to obtain patent protection for our innovations. However, it is possible that patent protection may not be available for some of these innovations. In addition, given the costs of obtaining patent protection, we may choose not to protect certain innovations that later turn out to be important. Furthermore, there is always the possibility, despite our efforts, that the scope of the protection gained will be insufficient or that an issued patent may be deemed invalid or unenforceable.

We also seek to maintain certain intellectual property as trade secrets. We require our employees, consultants, advisors and collaborators to enter into confidentiality agreements in order to protect our trade secrets and other proprietary information. These agreements might not effectively prevent disclosure of our trade secrets, know-how or other proprietary information and might not provide an adequate remedy in the event of unauthorized disclosure of such confidential information. In addition, others may independently discover our trade secrets and proprietary information, in which case we cannot assert such trade secret rights against such parties. Any unauthorized disclosure or independent discovery of our trade secrets would deprive us of the associated competitive advantages. Costly and time-consuming litigation could be necessary to enforce and determine the scope of our proprietary rights, and failure to obtain or maintain trade secret protection could adversely affect our competitive position.

The revenue model for our live streaming may not remain effective and we cannot guarantee that our future monetization strategies will be successfully implemented or generate sustainable revenues and profit.

We provide live streaming services to users in China mainly through Xunlei Live and Xunlei mobile app. In 2021, we further launched Hiya, an audio live streaming platform, in overseas markets in 2021. The users of Hiya currently are mainly from the Middle East and Southeast Asia. We expect to increase our revenue from living streaming services through launching this new live audio streaming product in overseas markets. In 2021, revenue from live streaming business was US\$35.1 million, accounting for 14.7% of our total revenues in 2021. The live streaming industry is highly competitive and there are several well-established and successful players in this market. We may not be able to compete effectively with our competitors and realize intended growth of our live streaming business. We are not sure whether our products will be accepted by the market and generate projected revenues. The user demand may also change, decrease substantially or dissipate and we may fail to anticipate and serve user demands effectively and timely. Although we factor in industry standards and expected user demand in determining how to optimize virtual item merchandizing effectively, if we fail to properly manage the supply and timing of our virtual items and their appropriate prices, our users may be less likely to purchase these virtual items from us. In addition, if users' spending habits change and they choose to only access our content for free without additional purchases, we may not be able to continue to successfully implement the virtual items-based revenue model for live streaming, in which case we may have to provide other value-added services or products to monetize our user base. We cannot guarantee that our attempts to monetize our user base and products and services will

continue to be successful, profitable or widely accepted, and therefore the future revenue and income potential of our business may be difficult to evaluate.

Hiya is available in overseas markets. Each different country or region has different regulations and judicial systems. We cannot assure you that we will be able to carry out business operations in different jurisdictions in a fully compliant manner. Once the relevant regulatory authorities in these countries or regions believe that our products or services violate the relevant laws and regulations of the country or region, they have the right to take legal measures such as ordering us to cease business operations and imposing administrative penalties, which could materially and adversely affect our live streaming business in overseas markets. In addition, the legal systems of different countries and regions such as the Middle East and Southeast Asia may not be as developed. Once disputes or lawsuits arise in connection with our business in these countries and regions, it may be difficult for us to obtain effective remedies, which may adversely affect our business operations, results of operations and financial condition.

We may fail to offer attractive content for our live streaming services, or attract and retain talented and popular broadcasters, which may materially adversely affect the operation of our live streaming services and its results of operations.

We offer live streaming content. Our content library is constantly evolving and growing to meet users' evolving interests. We actively track viewership growth and community feedback to identify trending content and encourage our broadcasters to create content that caters to users' constantly changing taste. However, if we fail to continue to expand and diversify our content offerings, identify trending and popular genres, or maintain the quality of our content, we may experience decreased viewership and user engagement, which may materially and adversely affect our results of operations and financial condition.

In addition, we largely rely on our broadcasters to create high-quality and fun live streaming content. Popular broadcasters are key to the success of our live streaming services. We have in place a comprehensive and effective incentive mechanism to encourage broadcasters to supply content that are attractive to our users. We have also entered into multi-year cooperation agreements that contain exclusivity clauses with popular broadcasters. However, if any of those broadcasters and/or the talent agencies decides to breach the agreement or chooses not to continue the cooperation with us once the term of the agreement expires, or if we fail to attract new talented and productive broadcasters, the popularity of our platform may decline and the number of our users may decrease, which could materially and adversely affect our results of operations and financial condition.

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

Our live streaming services enable users to interact and chat with broadcasters and other users and engage in various other online activities. Although we require our broadcasters to register their real name, we are unable to independently verify the accuracy and authenticity of the identity information provided by them. For the registration of users before they become broadcasters, we rely on third-party organizations to verify their identities through mobile phone numbers or ID card number, which may not always be reliable. In addition, we have put in place measures to monitor content on our platform generated by our users, but it is impossible for us to detect every piece of inappropriate or illegal content on our platform due to the immense quantity of user-generated content on our platform. Therefore, it is possible that broadcasters and/or users may engage in illegal, obscene or incendiary conversations or activities, including the publishing of inappropriate or illegal content that may be deemed unlawful under PRC laws and regulations on our platforms. For example, we received a notice from CAC in 2020, pointing out that there was certain inappropriate information discovered on our platform. We promptly fixed the issue and managed to avoid the risk of being removed from app stores by regulatory authorities. If any content on our platforms is deemed illegal, obscene or incendiary, or if appropriate licenses and third-party consents have not been obtained, claims may also be brought against us for defamation, libel, negligence, copyright, patent or trademark infringement, other unlawful activities or other theories and claims based on the nature and content of the materials that are provided, uploaded, shared, published or otherwise accessed by users or us through our platforms. Defending any such actions could be costly and involve significant time and attention of our

management and other resources. In addition, PRC authorities may impose legal sanctions on us, including, in serious cases, suspending or revoking the licenses necessary to operate our platforms if they find that we have not adequately managed the content on our platforms. Any such claims or sanctions against us could materially and adversely affect our business and our brand.

We believe that maintaining and enhancing our Xunlei brand is of significant importance to the success of our business. A well-recognized brand is critical to increasing our user base and, in turn, enhancing our attractiveness to advertisers, subscribers and paying users. If we fail to sustain or improve the strength of our brand, we may subsequently experience difficulty in maintaining market share. We have developed our reputation and established a leading position by providing our users with superior acceleration services and cloud computing services. We will continue to conduct various marketing and brand promotion activities. We cannot assure you, however, that these activities will be successful and achieve the brand promotion effects we expect. In addition, any negative publicity in relation to our services or our marketing or promotion practices, regardless of its veracity, could harm our brand image and, in turn, result in a reduced number of users and advertisers. Historically, there has been negative publicity about our company, our products and services and certain key members of our management team, which have adversely affected our brand, public image and reputation. If we fail to maintain and enhance our brand, or if we incur excessive expenses in this effort, our business, financial condition and results of operations may be materially and adversely affected.

System failure, interruptions and downtime, including those caused by cyber-attacks or security breaches, can result in user dissatisfaction, adverse publicity or leakage of confidential information of our users and customers, and our business, financial condition, results of operations may be materially and adversely affected.

Our operations rely on our networks and servers, which can suffer system failures, interruptions and downtime. Our network systems are vulnerable to damage from computer viruses, fires, floods, earthquakes, power losses, telecommunication failures, computer hacking, security breach, and similar events despite our implementation of security measures, which may cause interruptions to the services we provide, degrade the user experience, disclosure of our data or user data, such as personal information, names, accounts, user IDs and passwords, and payment or transaction related information, or cause users to lose confidence in our products. Our efforts to protect our company data and user data may also be unsuccessful due to software bugs or other technical malfunctions, employee error or malfeasance, government surveillance, or other factors.

The satisfactory performance, stability, security and availability of our websites and our network infrastructure are critical to our reputation and our ability to attract and retain users and advertisers. Our network and servers contain information regarding file index, advertising records, premium licensed digital media content and various other facets of the business to assist management and help ensure effective communication among various departments and offices of our company. Any failure to maintain the satisfactory performance, stability, security and availability of our network, website, servers or technology platform, whether such failure results from intentional cyber-attacks by hackers, from issues with our own technology and team or from other factors beyond our control, may cause significant harm to our reputation and impact our ability to attract and maintain users and business partners. We have put in place various measures to prevent such incidents from happening and internal reporting procedures with respect to such incidents. However, such prevention measures may not function in a way as we expect due to the evolution of the sophistication of cyber-attacks, advances in technology, an increased level of sophistication and diversity of our products and services, an increased level of expertise of hackers, new discoveries in the field of cryptography or others, software bugs or other technical malfunctions, or other evolving threats.

From time to time, our users in certain locations may not be able to gain access to our network or our websites for a period of time lasting from several minutes to several hours, due to server interruptions, power shutdowns, internet connection problems or other reasons. For example, in 2020, one of our products experienced a system failure due to an extremely high usage rate, which lasted for around three hours and affected a large portion of our users. Although we have fixed the server promptly, we cannot assure you that such instances will not occur in the future. Any server interruptions, break-downs or system failures, including failures which may be attributable to events within or outside our control that could result in a sustained shutdown of all or a material portion of our network or website, could reduce the attractiveness of our service offerings. In addition, any substantial increase in the volume of traffic on our network or website will require us to increase our investment in bandwidth, expand and further upgrade our technology platform. We do not maintain

insurance policies covering losses relating to our network systems due to very limited available insurance products in the insurance market in China. As a result, any system failure, interruptions or network downtime for an extended period may have a material adverse impact on our revenues and results of operations.

We rely on information technology systems to process, transmit and cache or store electronic information in our day-to-day operations, including customer, employee and company data. The secure processing, maintenance and transmission of this information are critical to our operations and the legal environment surrounding information security, storage, use, processing, disclosure and privacy is demanding with the frequent imposition of new and changing requirements. We also store certain information with third parties. Our information systems and those of our third-party vendors are subjected to computer viruses or other malicious codes, unauthorized access attempts, and cyber- or phishing-attacks and also are vulnerable to an increasing threat of continually evolving cybersecurity risks and external hazards, as well as improper or inadvertent staff behavior, all of which could expose confidential company and personal data systems and information to security breaches. Any such breach could compromise our networks, and the information stored therein could be accessed, publicly disclosed, lost or stolen. Such attacks could result in our intellectual property and other confidential information being lost or stolen, disruption of our operations, and other negative consequences, such as increased costs for security measures or remediation costs, and diversion of management attention. Any actual or perceived access, disclosure or other loss of information or any significant breakdown, intrusion, interruption, cyber-attack or corruption of customer, employee or company data or our failure to comply with federal, state, local and foreign privacy laws or contractual obligations with customers, vendors, payment processors and other third parties, could result in legal claims or proceedings, liability under laws or contracts that protect the privacy of personal information, regulatory penalties, disruption of our operations, and damage to our reputation, all of which could materially adversely affect our business, revenue and competitive position. For example, in 2020, a few individual users had taken advantage of a technical flaw of certain of our products to make fraudulent purchases and managed to cash out. We have promptly identified and patched the technical flaw. While we will continue to implement additional protective measures to reduce the risk of and detect cyber-incidents, cyber-attacks are becoming more sophisticated and frequent, and the techniques used in such attacks change rapidly. Our protective measures may not protect us against attacks and such attacks could have a significant impact on our business and reputation.

In addition, there has been a trend tightening the regulation of privacy and user data protection globally. We may become subject to new laws and regulations applying to the solicitation, collection, processing or use of personal or consumer information that could affect how we store, process and share data with our customers, suppliers and third-party sellers. For example, the National Information Security Standardization Technical Committee issued the latest Standard of Information Security Technology—Personal Information Security Specification, which came into effect in October 2020. Under such standard, the personal data controller refers to entities or persons who are authorized to determine the purposes and methods for using and processing personal information. The personal information controller should follow the principles of legality, justification and necessity in handling personal information. The personal information controller should obtain a consent from a personal information provider and provide such personal information provider an independent choice when the product or service offered by the personal information controller has multiple functions. In addition, the CAC, the MIIT, the Ministry of Public Security and the State Administration for Market Regulation jointly promulgated the Administrative Provisions on Algorithm Recommendations of Internet Information Services on December 31, 2021, with effect from March 1, 2022, which requires algorithm recommendation service providers to establish and improve their management systems and technical measures for, among others, data security and personal information protection.

Moreover, the PRC Civil Code, the PRC Cyber Security Law, the Personal Information Protection Law, and the PRC Data Security Law protect individual privacy and personal data security in general by requiring internet service providers to collect data in accordance with the laws and in a proper manner, and obtain consent from internet users prior to the collection, use or disclosure of internet users' personal data. See "Item 4. Information on the Company—B. Business Overview—Regulation—Regulations on Internet Privacy" and "Regulations on Information Security and Censorship." These laws and regulations are relatively new and substantial uncertainties exist with respect to the interpretation and implementation of these laws and regulations. We may need to adjust our business practice to comply with these cyber security and data security requirements from time to time.

Since January 2019, in order to better implement the PRC Cybersecurity Law and the PRC Law for the Protection of Consumer Rights and Interests, relevant PRC government departments have jointly launched ongoing nationwide special rectification programs relating to the illegal collection and use of personal information by mobile apps. On November 28, 2019, the Secretary Bureau of the Cyberspace Administration of China, the General Office of the Ministry of Industry and Information Technology, or the MIIT, the General Office of the Ministry of Public Security and the General Office of the State Administration for Market Regulation jointly promulgated the Identification Method of Illegal Collection and Use of Personal Information Through App, which provides guidance for regulatory authorities to identify illegal collection and use of personal information through mobile apps, for the app operators to conduct self-examination and self-correction, and for other participants to voluntarily monitor compliance. Moreover, the PRC Constitution, the PRC Criminal Law, the Civil Code of the PRC and the PRC Internet Security Law protect individual privacy in general, which require certain authorization or consent from internet users prior to collection, use or disclosure of their personal data and also protection of the security of the personal data of such users. In particular, Amendment 7 to the PRC Criminal Law prohibits institutions, companies and their employees in the telecommunications and other industries from selling or otherwise illegally disclosing a citizen's personal information obtained during the course of performing duties or providing services. On July 19, 2021, the MIIT issued a list of the applications that infringe users' interests and rights. Shenzhen Xunlei was identified as having misled users to click to enter other information pages or third-party application download pages without clear notification on the homepage. We promptly took actions in response to the identified issue and completed the required rectification. On July 23, 2021, the MIIT launched the 2021 Special Rectification Program, aimed at rectifying disruption of market order, infringement on users' rights and interests, threats on data security, and violation of relevant regulations on qualifications and resources management by the internet companies. In October, 2021, we received two notices from the Guangdong Communication Administration, who found that our system had sensitive information leakage risk. We promptly fixed the vulnerabilities as required. In December 2021, the Guangdong Communication Administration conducted an onsite inspection of Shenzhen Xunlei. Shenzhen Xunlei took actions in response to the issues identified by the authority during the inspection and completed the rectification as required.

As we expand our business overseas, we are subject to laws and regulations and other policies in different jurisdictions related to the collection, use, retention, security, transfer or other processing of identifiable personal information. We may need to comply with increasingly complex and stringent regulations protecting business and personal data in the United States, Europe and other jurisdictions. These legal requirements are constantly evolving and impose different obligations in different jurisdictions. For example, the European Union adopted the General Data Protection Regulation, or the GDPR, which became effective on May 25, 2018. The GDPR imposes additional obligations on companies regarding the handling of personal data and provides certain individual privacy rights to persons whose data is stored. New privacy laws continued to come into effect around the world in 2020, with one of the most significant being the California Consumer Privacy Act, or the CCPA, which became effective on January 1, 2020. Compliance with existing, proposed and recently enacted laws, including implementation of the privacy and process enhancements called for under GDPR, CCPA and regulations from other legislations, can be costly as these laws may be interpreted and applied in ways that are inconsistent with our business practices. Compliance with emerging and evolving requirements in multiple jurisdictions may result in us changing our business practices, which could adversely affect our business and results of operations. We cannot assure you that we will be able to comply with the requirements of laws and regulations in different jurisdictions and other laws and regulations in a timely manner or in full. Any inability, or perceived inability, to adequately address privacy laws and regulations laws, regulations, policies, industry standards, contractual obligations, or other legal obligations could result in various administrative penalties, including fines, suspension of business operations in local jurisdictions and reputational damage.

Our results of operations could be materially and adversely affected if our cooperation with Itui regarding online advertising is unsuccessful. We may also be subject to penalties from relevant authorities due to certain actions or inactions of Itui in connection with online advertising, which is beyond our control.

We realized growth of the revenue from our online advertising services from US\$16.9 million in 2016 to US\$27.8 million in 2018. However, revenue from our online advertising service decreased to US\$15.6 million in 2019, and further decreased to US\$13.2 million in 2020, primarily due to a generally decreased demand for our online advertising services. In May of 2020, we entered into an advertising revenue sharing agreement with a subsidiary of Itui International Inc., our largest shareholder. In 2021, we renewed such agreement with the subsidiary of Itui International Inc. Under such agreement, Itui provides us with online traffic monetization services, including the operation and placement of

advertisements, research and technology support with respect to advertising systems, business algorithm platform as well as content recommendation and other optimization services. By outsourcing our advertising business to Itui, we hope to take advantage of Itui's advanced precision targeting algorithm to achieve better placement of advertisement. However, we cannot assure you that we can further improve the results of operations of online advertising through such cooperation in the future. In 2021, we recorded revenue from our online advertising service of US\$12.3 million. In our cooperation with Itui, we require Itui to comply with all relevant laws and regulations regarding advertising business. However, we have no control over Itui and we cannot assure you that Itui will be able to operate the advertising business and its advertising platform legally and successfully. We may still be liable for certain circumstances in connection with Itui that are beyond our control, and our business may also be negatively affected. In addition, if we are unable to maintain our cooperation with Itui for whatever reasons and we are unable to find a suitable replacement in a timely manner, or at all, our advertising revenue may experience significant decline. As a result, our business and financial condition may be negatively affected.

We rely on third-party platforms to distribute our mobile applications. If we are unable to maintain a good relationship with such platform providers, if their terms and conditions or pricing were changed to our detriment, if we violate, or if a platform provider believes that we have violated, the terms and conditions of its platform, or if any of these platforms loses market share or falls out of favor or is unavailable for a prolonged period of time, our mobile strategy may suffer.

We are subject to the standard policies and terms of service of third-party platforms, which govern the distribution of our mobile application on the platform. Each platform provider has broad discretion to change and interpret its terms of service and other policies with respect to us and other users, and those changes and interpretation may be unfavorable to us. A platform provider may also change its fee structure, add fees associated with access to and use of its platform, alter how we are able to advertise or distribute on the platform, or change how the personal information of its users is made available to application developers on the platform. Such changes may decrease the visibility or availability of our applications, limit our distribution capabilities, prevent access to our applications, reduce the amount of downloads and revenue we may recognize from the applications, increase our costs to operate on these platforms or result in the exclusion or limitation of our application on such platforms. Any such changes could adversely affect our business, financial condition or results of operations.

If we violate, or a platform provider believes we have violated its terms of service (or if there is any change or deterioration in our relationship with these platform providers), that platform provider could limit or discontinue our access to the platform. A platform provider could also limit or discontinue our access to the platform if it establishes more favorable relationships with one or more of our competitors or it determines that we are a competitor. Any limit of, or discontinuation to, our access to any platform could adversely affect our business, financial condition or results of operations. In September 2016, all of our mobile applications, including Mobile Xunlei, were removed from Apple's iOS App Store as a result of alleged possible violations of the developer license agreement between Apple and us. After a prolonged negotiation, Apple agreed that we could re-launch our mobile applications, including Mobile Xunlei, on Apple's iOS App Store as long as our mobile applications comply with Apple's policies for launching mobile applications on App Store and pass Apple's scrutinization. In July 2020, we successfully re-launched our mobile applications on Apple's iOS App Store, which means new users can download our mobile applications again. Although we have re-launched our mobile applications on App Store, we cannot assure you the removal of our mobile applications from App Store will not happen again in the future. Furthermore, other app stores also have the right to update their store policies. If we are deemed to violate their policies, our mobile applications are removed from App Store again or other app stores at the same time, which may significantly harm our mobile strategy, materially and adversely affect our business operations, results of operations and financial condition.

We are strictly regulated in China. Any lack of requisite licenses or permits applicable to our businesses or to our third-party services providers and any changes in government policies or regulations may have a material and adverse impact on our businesses, financial condition and results of operations.

Our business is subject to governmental supervision and regulations by the relevant PRC governmental authorities including the State Council, the MIIT, the National Radio and Television Administration, or NPPA the National Press and Publication Administration, or the NPPA, the Ministry of Culture and Tourism (established in March 2018 as a result of institutional reform integrating the Ministry of Culture, and the Ministry of Tourism), or MOCT and other relevant

government authorities. Together these government authorities promulgate and enforce regulations that cover many aspects of operation of telecommunications and internet information services, including entry into the telecommunications industry, the scope of permissible business activities, licenses and permits for various business activities and foreign investment.

We are advised by our PRC legal counsel that a license for online transmission of audio-visual programs is required for the display of video content, including live streaming content, on our platform. See “Item 4. Information on the Company—B. Business Overview—Regulation—Regulation on online transmission of audio-visual programs.” We used to be a registered owner of such license when we were operating Xunlei Kankan business. However, when we disposed of Xunlei Kankan business to a purchaser in July 2015, the registered owner of such license was also changed to the purchaser. After the disposal, Shenzhen Wangwenhua started to operate a live streaming business through Xunlei Live website and mobile app. As advised by our PRC legal counsel, a license for online transmission of audio-visual programs is required for providing video content display services and operating a live streaming business. In June 2018, Shenzhen Wangwenhua acquired 80% of the equity interest of Henan Tourism Information Co., Ltd., or Henan Tourism, from an independent third party. Henan Tourism is a registered owner of the license for online transmission of audio-visual programs. However, neither Shenzhen Wangwenhua nor Shenzhen Xunlei, the entity that operates both license-required businesses, is a registered owner of the license for online transmission of audio-visual programs. As a result, relevant PRC government authorities may find that we are operating license-required business without obtaining a proper license, and thus may issue warnings, order us to rectify our violating operations and impose fines on us. In the case of serious violations as determined by relevant authorities at its discretion, they may ban the violative operations, seize our equipment in connection with such operations and impose a penalty of one to two times of the amount of the total investment in such operations.

The cloud computing services we provide to the internet users may be deemed to have included the content distribution network (CDN) services. Pursuant to the *Notice of Ministry of Industry and Information Technology on Cleaning up and Standardizing the Internet Network Access Service Market*, we have to update our existing VATS License to specifically cover the CDN services. Shenzhen Onething Technologies Co., Ltd., or Shenzhen Onething, a subsidiary of Shenzhen Xunlei, and a subsidiary of Shenzhen Onething have obtained the VATS Licenses that cover the CDN services.

Our business model for CDN services, namely, a shared computing model and network, is relatively new and there are no laws or regulations on this specific model so far. It is possible that the relevant PRC authority may in the future decide that we are operating certain businesses without the proper licenses or approvals. Were that to happen, we would be warned, fined, ordered to rectify our violations or be imposed restrictions or even suspension on our relevant business. In addition to the above, if the PRC government promulgates new laws and regulations that require additional licenses or imposes additional restrictions on the operation of any part of our business, it has the power to, among other things, levy fines, confiscate our income, revoke our business licenses, and require us to discontinue our business or impose restrictions on the affected portion of our business. Any of these actions by the PRC government may have a material and adverse effect on our results of operations.

Furthermore, we operate our cloud computing business that integrates the idea of shared economy model and are subject to risks related to this business model. We cannot assure you that our cooperation with all third parties for our cloud computing business complies with all laws and regulations. For example, we cannot assure you that our third-party service providers have obtained or applied for all permits and licenses required for providing relevant services to us. We cooperate with various third-party service providers to provide Internet Data Center (IDC) and Internet Service Provider (ISP) services for our CDN services. As PRC laws and regulations require IDC and ISP service providers to obtain the corresponding IDC licenses and ISP licenses, we require our third-party service providers to obtain such licenses. However, we cannot assure you that these third-party services providers maintain or are able to obtain in a timely manner or at all the required licenses. If our third-party service providers fail to obtain or maintain relevant approvals, licenses or permits required for operating such businesses, our third-party service providers could be subject to liabilities, penalties and operational disruptions. Even if these service providers are able to maintain proper licenses, it is possible that the services and bandwidth resources they provide may not meet our requirements.

Violation of existing or future laws, regulations or regulations on collection and use of personal data could damage our reputation, deter current and potential users from using our services and substantially harm our business and results of operations.

Pursuant to the applicable PRC laws and regulations concerning the collection, use and sharing of personal data, our PRC subsidiaries, variable interest entity and its subsidiaries are required to keep our users' personal information confidential and are prohibited from disclosing such information to any third parties without such users' consent. Relevant laws and regulations also require internet operators to take measures to ensure confidentiality of users' information. See "Item 4. Information on the Company—B. Business Overview—Regulation—Regulation on internet privacy." In November 2019, the MIIT issued the Notice on Carrying Out the Special Rectification of App Infringement on Users' Rights and Interests. Based on such notice, the MIIT required a number of mobile apps to be removed from application stores as these apps infringed users' rights and interests and rectifications cannot be completed within a specified period of time.

To comply with relevant laws and regulations, we have established information security systems to protect user's privacy, we also have adopted a risk detection mechanism for data security defects and vulnerabilities, and set up an emergency response mechanism for data security incidents. We also periodically review our privacy policies and amend as needed based on the development and changes of the personal information we collect and process to ensure that we comply with relevant requirements such as obtaining users' prior consent before the collection and processing of their personal information. While we strive to comply with our privacy guidelines as well as all applicable data protection laws and regulations, any failure or perceived failure to comply with relevant laws and regulations may result in proceedings or actions against us by government entities or others, and could damage our reputation. For example, in September, 2021 one of our mobile applications received a notice from a regulatory authority for failing to explicitly inform users in our privacy policy that their device information would be provided to third parties' SDKs. In response, we have modified the privacy policies of the product to the regulator's satisfaction. However, we cannot guarantee you that regulatory authorities will not find our privacy policies insufficient again in the future, and we may be ordered to modify our privacy policies and make rectifications to meet the requirements of relevant laws or regulations. If we fail to make modifications or rectifications to the satisfaction of relevant regulatory authorities, we may subject to administrative penalties or even removals of our mobile applications.

In addition, user and regulatory attitudes towards privacy are evolving and concerns about the security of personal data could also lead to a decline in general usage of our products and services, which could lead to lower user numbers. For example, if the PRC government authorities require real-name registration by our users, our user numbers may decrease and our business, financial condition and results of operations may be adversely affected. See "—Risks Related to Doing Business in China—We may be adversely affected by the complexity, uncertainties and changes in PRC regulations of internet-related business and companies." In addition, we may become subject to the data protection or personal privacy laws of jurisdictions outside of China, where more stringent requirements may be imposed on us and we may have to allocate more resources to comply with the legal requirements, and our user numbers may further decrease. A significant reduction in user numbers could have a material adverse effect on our business, financial condition and results of operations.

We may not be able to generate sufficient cash from operations or to obtain sufficient capital to meet the additional capital requirements of our changing business.

In order to implement our development strategies, including our strategies to transition to mobile internet and continuing efforts on our cloud computing business, we will make continual capital investments in terms of devoting more research and development efforts into investigating user needs and develop new mobile products and update existing ones, continue enhancing the technologies involved in our cloud computing business and provide more frequent updates to our existing products. Thus, we will continue to incur substantial capital expenditures on an ongoing basis, and it may become difficult for us to meet such capital requirements.

To date, we have financed our operations and the building of Xunlei Tower, our new headquarters, primarily by using our existing internal cash reserves and borrowing bank loans. If we fail to retain a sufficient number of users and continue to convert such users into paying users or subscribers, we may not be able to generate sufficient revenues to cover

our business development strategies, including our continued transition to mobile internet and the continued expansion of our cloud computing business, and our business may be materially and adversely affected. Further, after the construction of Xunlei Tower is completed, we may operate the building ourselves, which may subject us to additional real estate related financial and operating risks.

We may obtain additional financing, including from equity offerings and debt financings in capital markets, to fund the operation and planned expansion of our business. Our ability to obtain additional financing in the future, however, is subject to a number of uncertainties, including:

- our future business development, financial condition and results of operations;
- general market conditions for financing activities by companies in our industry; and
- macroeconomic, political and other conditions in China and elsewhere.

If we cannot obtain sufficient capital to meet our capital expenditure needs, we may not be able to execute our growth strategies and our business, results of operations and prospects may be materially and adversely affected.

Our costs and expenses, such as research and development expenses, may increase and our results of operations may be adversely affected.

The operation of our extensive resource delivery network and cloud computing business as well as our exploration and implementation of our new business strategies require significant upfront capital expenditures as well as continual, substantial investment in content, technology and infrastructure. Since inception, we have invested substantially in research and development to maintain our technology leadership, and in equipment to increase our network capacity. We expect our research and development expenses to increase in the near term as we continue to expand our research and development team to develop new products and update existing products, particularly as we continue devoting resources in the development of our cloud computing business and the development and updating of our mobile products. Most of our capital expenditures, such as expenditures on servers and other equipment, are based upon our estimation of potential future demand and we are generally required to pay the entire purchase price and license fees upfront. As a result, our cash flow may be negatively affected in the periods in which such payments are made. We may not be able to quickly generate sufficient revenue from such expenditures, which may negatively affect our results of operations within certain periods thereafter; and if we overestimate future demand for our services, we may not be able to achieve expected rates of return on our capital expenditures, or at all.

In addition, bandwidth and other costs are subject to change and are determined by market supply and demand. For example, the market prices for professionally produced digital media content have increased significantly in China during the past few years, and there have been increases in the relevant license fees. In addition, if bandwidth and other providers cease their business with us or raise the prices of their products and services, we will incur additional costs to find alternative service providers or to accept the increased costs in order to provide our services. If we cannot maintain a cost-effective operation, or if our costs to deliver our services do not decline commensurate with any future declines in the prices we charge our users, our results of operations may be adversely affected and we may fail to achieve profitability.

If we are unable to collect accounts receivable in a timely manner or at all, our financial condition, results of operations and prospects may be materially and adversely affected.

We generated a large portion of our revenue from the sales of CDN in 2021. As of December 31, 2021, we have a considerable portion of accounts receivable arising from the sales of CDN. In addition, we have outsourced our advertising operations to Itui in 2020. As a result, we generated a considerable portion of revenues from the advertising revenue sharing agreement we entered into with Itui, which resulted in a large account receivable as well. Thus, the financial soundness of our customers purchasing CDN from us, Itui, advertising agencies, or advertisers may affect our collection of accounts receivable. In general, a credit assessment of our CDN purchasers will be made to evaluate the collectability of the service fees before entering into any business contracts, and we require Itui to do the same with advertising agencies or advertisers. However, we cannot assure you that we or Itui will always be able to accurately assess

the creditworthiness of each CDN purchaser, advertising agency, or advertiser, as applicable. Any inability of Itui, advertisers, advertising agencies or CDN purchasers, especially those that accounted for a significant percentage of our accounts receivables in the past, to pay us in a timely manner may adversely affect our liquidity and cash flows. For example, we made a provision for our accounts receivable of US\$7.6 million in 2018 due to a CDN purchaser's prolonged overdue payment and its shutdown of operations. In addition, the online advertising market in China is dominated by a small number of large advertising agencies. If the large advertising agencies that Itui has business relationships with demand higher rebates for their agency services, or if we are unable to collect account receivable from Itui pursuant to our revenue sharing agreement in a timely manner, our results of operations will be materially and adversely affected.

We had net operating cash outflows in 2019, 2020 and may be subject to liquidity pressure in the future if we cannot generate sufficient cash from our operating activities in the future.

We had net operating cash outflows of US\$45.6 million in 2019 and US\$13.9 million in 2020. In 2021, we had net cash generated from operating activities of US\$15.8 million in 2021. See "Item 5. Operating and Financial Review and Prospects—B. Liquidity and Capital Resources—Operating activities" for reasons of such net operating cash outflows. We cannot guarantee we will be able to generate positive and sufficient cash flows from operating activities in the future. If we have negative cash flows from operating activities in the future, our business, results of operations and liquidity may be adversely affected.

In addition, we are constructing a building which will be used as our research and development center and headquarters. We planned to invest RMB600.0 (US\$94.1 million) million at the beginning of the project planning. Based on our latest estimates, we expect to invest a total of RMB450.0 million (US\$70.6 million) for this construction project. In 2019, we entered into a loan facility agreement with a commercial bank to finance the construction project. The land use right and the building under construction were mortgaged to the bank and one of our subsidiaries also provided a guarantee to the bank. The maximum amount of loans we are able to take out is RMB400.0 million (US\$62.7 million). As of December 31, 2021, we took out RMB128.6 million (US\$20.2 million). We plan to take out another loan under this facility for no more than RMB130.0 million (US\$20.4 million) in the near future depending on the progress of the construction project. As of the date of this annual report, we anticipate the construction project will be completed within our budget. Although we had cash, cash equivalents and short-term investments of US\$239.0 million as of December 31, 2021, we may be under liquidity pressure if we are unable to generate sufficient cash from our operating activities in the future, unable to renew our bank loans, or if the actual cost of the construction project goes beyond our estimated costs. In addition, we plan to complete the construction by the second half of 2022 and relocate to the new building afterwards. However, we cannot assure you that we will definitely be able to complete the construction by then due to a number of factors that are beyond our control including outbreak of pandemic, weather conditions, force majeure, labor disputes and government regulations. For example, the completion of the construction project is subject to government approval. Further, the sporadic outbreak of COVID-19 cases in China has caused and may continue to cause delay in our planned use of the building. We cannot guarantee you that relevant government authorities will grant us approval in our expected timeline. If we are unable to move into the new building as in our expected timeline, we will have to continue to pay office rental expenses. In addition, we may lease certain floors of the building to other parties and use the rental we receive to pay loan interest. If the new building cannot be put into use in our expected timeline, we will have to pay loan interest from our existing cash, which will increase our liquidity pressure. In the worst-case scenario, if we are unable to repay the loan, the bank may foreclose our building. As a result, we may have to rent other office space to continue our business operations and incur additional costs. Furthermore, we engaged a reputable national construction company to construct the building and a professional real estate consulting firm to manage the process. Disputes between construction company/real estate consulting firm/other construction service providers and us have arisen and may continue to arise in the future, which may cause delay to the completion of the construction project. For example, we have a pending lawsuit with a constructing company of our headquarters construction project, which may adversely affect our financial condition if we lose the case. The lawsuit may also divert our management's attention and subject us to additional costs.

We may not be able to successfully address the challenges and risks we face in the online games market, such as a failure to operate popular, high-quality games or to obtain all the licenses required to operate online games, which may subject us to penalties from relevant authorities, including the discontinuance of our online game business.

We have cooperated with third parties to operate certain web games since 2019. See “Item 4. Information on the Company—B. Business Overview—Our Platform—Online game services.” Operating online games in China requires several permits and approvals. For example, as advised by our PRC legal counsel, a VATS License is required for operating online games and an Internet Publishing Services License is required for operating internet publishing services, which is defined as offering internet publications to the public through the internet. Our online game operating subsidiaries, Shenzhen Xunlei, Shenzhen Wangwenhua and Xunlei Games, have obtained the VATS License for operating our online games. Shenzhen Xunlei, which holds 100% of the equity interest in Shenzhen Wangwenhua and 70% of the equity interest in Xunlei Games, has obtained an Internet Publishing Services License for the publication of internet games, with an expiry date of September 17, 2022. However, neither Shenzhen Wangwenhua nor Xunlei Games has obtained the Internet Publishing Services License. Given the uncertainties of interpretation and implementation of relevant laws and regulations and the enforcement practices of relevant government authorities, we cannot assure you that relevant government authorities would not require Shenzhen Wangwenhua and Xunlei Games to obtain the Internet Publishing Services Licenses as well. As a result, relevant PRC government authorities may find that certain of our online game operating subsidiaries are operating internet publishing services without proper license and thus may penalize us accordingly. If that were to happen, we would be subject to orders to the shut-up the website or delete all relevant online publications, confiscation of illegal income and major equipment or fines. In addition, according to relevant regulations, an online game has to be scrutinized by and obtain an approval number (ISBN number) from the NPPA before it is allowed to be launched online. In our cooperation with online game providers, we require that ISBN numbers have to be obtained for the online games within the scope of our cooperation. However, as we are not the developers or publishers of those online games, we cannot assure you that the ISBN numbers of those online games are obtained strictly in compliance with relevant legal requirements and procedures without any defects or relevant amendment filings are made in compliance with relevant legal requirements. If the ISBN numbers are obtained not in compliance with relevant laws and regulations or amendment filings are not made timely, relevant government authorities may impose fines on us, confiscate our income generated from operating such online games and require us to delete all relevant online publications or discontinue our online game business.

In addition, relevant PRC laws and regulations require that contents of online games are prohibited to advocate cult, superstition, obscenity, pornography, gambling or violence, or abet commission of crime. As we are not the developers of the online games we operate, we cannot assure you that the contents of the online games we operate are fully in compliance with such requirement. Failure to comply with relevant PRC laws and regulations may subject us to liability, administrative actions or penalties imposed by relevant PRC authorities. The imposition of any of these penalties may result in a material and adverse effect on our ability to operate our online game business and our results of operations. As we do not have control over the contents of the online games we operate, we cannot assure you that we will not be subject to any intellectual property infringement claims or misappropriation claims. As of the date of this annual report, we were not involved in any lawsuits relating to the online games we operate. Defending those claims, with or without merits, could be costly and time-consuming, and diverge our management’s attention. If we or our third-party online game providers lose the cases, we may be required to compensate a large amount of damages or immediately discontinue the operation of relevant online games. If we are unable to find alternative solutions on commercially reasonable terms on a timely basis, our online game business, reputation and results of operations may be materially and adversely affected.

In October 2019, General Administration of Press and Publication issued the Notice by the General Administration of Press and Publication of Preventing Minors from Indulging in Online Games, or Anti-indulgence Notice, which imposed an array of restrictive measures to prevent underage users to indulge in online games. For example, the Anti-indulgence Notice requires game operators to implement the real-name registration system for players of online games and take effective measures to restrict underage players from using paid services that are inconsistent with their capacity for civil conduct. Furthermore, on August 30, 2021, the NPPA issued the Notice on Further Strict Management to Prevent Minors from Indulging in Online Games, which requires all online game operators to provide services to minors only on any Friday, Saturday, Sunday and statutory holidays from 8:00 p.m. to 9:00 p.m., i.e. for one hour, and not to provide online games in any form to users who have not registered or logged in with their real names. We have implemented a real-name registration system for our online games. Game operators or developers of the online games on our platform are able to

access to our real-name registration system and implement their anti-indulgence measures based on the identity information in our system. In addition to the real-name registration system already in place, we have adjusted the systems in the games we operate to comply with the requirements under this notice. In February 2021, Shenzhen Press and Publication Bureau issued the Notice on Interface Docking of Anti-indulgence and Real Name Registration System to Prevent Minors from Indulging in Online Games, which requires all the online game enterprises in Guangdong Province to file the application before April 30, 2021, and all such games to connect with the National Anti-Indulgence and Real-Name Registration System established by Publication Bureau of the Publicity Department of the CPC Central Committee before June 1, 2021. As of the date of this annual report, we have completed the requisite filing and connected our online games to the National Anti-Indulgence and Real Name Registration System as required. However, if any third-party online game operators, developers or we fail to comply with the above requirements, we may have joint or several liabilities and thus be subject to administrative penalties. Penalties under the Anti-indulgence Notice include fines and other penalties such as taking corrective actions during specified periods, shutting down of our online games operations and license revocation due to the fact that we did not implement those restrictions pursuant to the Anti-indulgence Notice. If any of the above were to happen, our online game business and results of operations would be negatively affected.

We operate in a competitive market and may not be able to compete effectively.

We face significant competition in different areas of our business. Some of our existing or potential competitors have a longer operating history and significantly greater financial resources than we do, and in turn may be able to attract and retain more users and advertisers. Our competitors may compete with us in a variety of ways, including by conducting brand promotions and other marketing activities and making acquisitions. For example, in the cloud computing sector, we face existing intensive competition from leading Chinese internet companies such as Alibaba and Tencent. They generally have a stronger competitive position and have more resources and technological capability to compete in this sector. We cannot guarantee you that we will certainly be able to compete effectively with them and continuously increase our market share or maintain our existing market share. In the cloud acceleration sector, although we currently have a niche market in China for cloud acceleration products and services, we cannot guarantee that we will be able to maintain our established position in the future. We may face competition from leading Chinese internet companies if they start to allocate resources and focus on the development in this business sector or from startups who may develop similar or alternative products. With more entrants into the cloud acceleration business, aggressive price cutting by competitors may result in the loss of our existing subscribers. We may have to take actions to retain our user base and attract more subscribers at significant cost, including upgrading and developing existing and new products and services in order to meet users' changing demand, but we cannot assure you that such efforts will succeed, especially given the tightening control over internet content by the Chinese government. See “—If we fail to keep up with the technological development in the internet industry and users' changing demand, our business, financial condition and results of operations may be materially and adversely affected” and “—Regulation and censorship of information disseminated over the internet in China have adversely affected our business and may continue to adversely affect our business, and we may be liable for the digital media content on our platform.” If we are unable to effectively compete in any aspect of our business, our business, financial condition and results of operations may be materially and adversely affected.

Undetected programming errors or flaws or failure to maintain effective customer service could harm our reputation or decrease market acceptance of our services, particularly our resource discovery network, which would materially and adversely affect our results of operations.

Our programs may contain programming errors that may only become apparent after their release, especially in terms of upgrades to, for example, Xunlei Accelerator or cloud acceleration subscription services. We receive user feedback in connection with programming errors affecting their user experience from time to time, and such errors may also come to our attention during our monitoring process. However, we cannot assure you that we will be able to detect and resolve all these programming errors effectively or in a timely manner. Undetected programming errors or defects may adversely affect user experience and cause our users to stop using our services and our advertisers to reduce their use of our services, any of which could materially and adversely affect our business and results of operations.

Advertisements displayed on our platform may subject us to penalties and other administrative actions.

Under PRC advertising laws and regulations, advertisement channels such as us are obligated to monitor the advertising content they display to ensure that such content is true, accurate and in full compliance with applicable laws and regulations. PRC advertising laws and regulations set forth certain content requirements for advertisements in the PRC including, among other things, prohibitions on false or misleading content, superlative wording, socially destabilizing content or content involving obscenities, superstition, violence, discrimination or infringement of the public interest. In April 2015, the SCNPC enacted the Advertisement Law, which took effect on September 1, 2015 and was last amended on April 29, 2021, to further strengthen the supervision and management of advertisement services. Pursuant to the Advertisement Law, any advertisement that contains false or misleading information to deceive or mislead consumers shall be deemed false advertising. Furthermore, the Advertisement Law explicitly stipulates detailed requirements for the content of several different kinds of advertisement, including advertisements for medical treatment, pharmaceuticals, medical instruments, health food, alcoholic drinks, education or training, products or services having an expected return on investment, real estate, pesticides, feed and feed additives, and some other agriculture-related advertisement. On July 4, 2016, SAIC issued the Interim Measures for the Administration of Internet Advertising to specifically regulate internet advertising activities. See “Item 4. Information on the Company—B. Business Overview—Regulation—Regulation on advertising business” for details. In providing advertising services, we are required to review the supporting documents provided to us by advertising agencies or advertisers for the relevant advertisements and verify that the content of the advertisements complies with applicable PRC laws and regulations. Prior to distributing advertisements that are subject to government censorship and approval, we are obligated to verify that such censorship has been performed and approval has been obtained. Violation of these regulations may result in penalties, including fines, confiscation of advertising income, orders to eliminate the effect of illegal advertisement and cessation of publishing the advertisement. In circumstances involving serious violations, the State Administration for Industry and Commerce, or the SAIC, or its local branches may revoke violators’ licenses or permits for their advertising business operations.

To fulfill these monitoring functions specified by the PRC laws and regulations set forth above, we have taken several measures. Before we outsourced our advertising business to Itui in 2020, in almost all of our advertising agreements, we required the advertising agencies or advertisers that entered into agreements with us to: (i) ensure the advertising content provided to us is true, accurate and in full compliance with PRC laws and regulations; (ii) ensure such content does not infringe any third-party’s rights and interests; and (iii) indemnify us for any liabilities arising from such advertising content. We outsourced our advertising business to Itui in 2020 and required Itui to set up an effective review mechanism for each advertisement it placed on our websites and platform so as to ensure the contents are in full compliance with relevant legal requirements. However, we cannot assure you that all the contents contained in such advertisements are true and accurate as required by the advertising laws and regulations, especially given the uncertainty in the application of these laws and regulations. If we are found to be in violation of applicable PRC advertising laws and regulations in the future, we may be subject to penalties and our reputation may be harmed, which may have a material and adverse effect on our business, financial condition and results of operations.

We face risks relating to third parties’ billing and payment systems.

The billing and payment systems of third parties such as online third-party payment processors help us maintain accurate records of payments of sales proceeds by certain subscribers and other paying users and collect such payments. Our business and results of operations could be adversely affected if these third parties fail to accurately account for or calculate the revenues generated from the sales of our products and services. Moreover, if there are security breaches or failure or errors in the payment process of these third parties, user experience may be affected and our business results may be negatively impacted.

The channels for the payment of our services and products typically comprise third-party online system, fixed phone line and mobile phone payment. A significant portion of the payments have been made through our online payment system since 2014. Although we have been able to control our payment handling charges by encouraging our subscribers to use the third-party online payment system which charges relatively lower levels of handling fees compared with other payment channels, we cannot assure you that these third-party payment service providers will not increase fee levels charged to us or we are able to continuously maintain our cooperative relationship with them in commercially acceptable terms. Also, the subscribers may change their habits to make payments through mobile phones or other third-party online

payment channels with higher costs. If that were to happen in the future, or if we fail to minimize the associated payment handling charges, our results of operations may be adversely affected due to any suspension of these payment channels and we may not be able to find any suitable alternatives in a timely manner, or at all.

We also do not have control over the security measures of our third-party payment service providers, and security breaches of the online payment systems that we use could expose us to litigation and possible liability for failing to secure confidential customer information and could, among other things, damage our reputation and the perceived security of all of the online payment systems we use. In addition, there may be billing software errors that would damage customer confidence in these payment systems. If any of the above were to occur, we may lose paying users and users may be discouraged from purchasing our products, which may have an adverse effect on our business and results of operations.

We have granted, and may continue to grant, share awards under our share incentive plans, which may result in increased share-based compensation expenses.

We have granted share-based compensation awards, including share options and restricted shares, to various employees, key personnel and other non-employees to incentivize performance and align their interests with ours. In June 2020, we terminated our 2010 share incentive plan, 2013 share incentive plan and 2014 share incentive plan and adopted a 2020 share incentive plan, or the 2020 Plan. Upon the termination of our then-existing share incentive plans, the awards that are granted and outstanding under those share incentive plans and the evidencing original award agreements shall remain effective and binding under the 2020 Plan, subject to any amendment and modification to the original award agreements that we shall determine. Under the 2020 Plan, we are authorized to issue a maximum number of 31,000,000 common shares of our company upon exercise of the options or other types of awards. There were also 4800,000 unvested restricted shares that survived the termination of our previous share incentive plans and remained outstanding under the 2020 Plan. As of March 31, 2022, 25,184,375 restricted share units had been granted and outstanding under the 2020 Plan. As of March 31, 2022, our unrecognized share-based compensation expenses relating to the awards outstanding under the 2020 Plan amounted to US\$16.9 million. See “Item 6. Directors, Senior Management and Employees—B. Compensation—Share incentive plans” for details.

We will issue the equivalent number of common shares upon the vesting and exercise of these options, restricted shares and restricted share units. The amount of these expenses is based on the fair value of the share-based compensation award we granted. The expenses associated with share-based compensation have affected our net income and may reduce our net income in the future, and any additional securities issued under share-based compensation schemes will dilute the ownership interests of our shareholders, including holders of our ADSs. We believe the granting of incentive awards is of significant importance to our ability to attract and retain key personnel and employees, and we will continue to grant stock options, restricted shares and other share awards to employees in the future. As a result, our expenses associated with share-based compensation may increase, which may have an adverse effect on our results of operations.

The continuing and collaborative efforts of our senior management and key employees are crucial to our success, and our business may be harmed if we were to lose their services.

Our success depends on the continual efforts and services of our senior management team. If one or more of our executives or other key personnel are unable or unwilling to continue to provide services to us for whatever reasons, we may not be able to find suitable replacements easily or at all. Competition for management and key personnel in our industry is intense and the pool of qualified candidates is limited. We may not be able to retain the services of our executives or key personnel or attract and retain experienced executives or key personnel in the future. If any of our executive officers or key employees joins a competitor or forms a competing company, we may lose advertisers, know-how and key professionals and staff members. Each of our executive officers has entered into an employment agreement (including a non-compete provision) with us. However, if any dispute arises between us and our executives or key employees, these agreements may not be enforceable in China, where these executives and key employees reside, in light of uncertainties with China’s legal system.

In addition, while we often grant additional incentive shares to management personnel and other key employees after their hire dates, the initial grants are usually much larger than subsequent grants. Employees may be more likely to leave us after their initial incentive share grant fully vests, especially if the value of the incentive shares has significantly

appreciated in value relative to the exercise price. If any member of our senior management team or other key personnel leaves our company, our ability to successfully operate our business and execute our business strategy could be impaired.

Any misconduct of our employees may negatively affect our reputation and corporate image, which in turn may adversely affect our business and prospects.

We believe that maintaining and enhancing our reputation and corporate image is of significant importance to the success of our business. If any of our employees engaged in any misconduct, whether or not related to the employee's work at our company, it may negatively affect our reputation and corporate image. Historically, there has been negative publicity about our company and our management, which adversely affected our brand, public image and reputation. A member of our senior management team who is also our director was subject to certain legal sanctions in China in the past due to copyright infringement activities when working at another company unrelated to us. Even though the infringement activities took place a number of years before the executive joined our company and had nothing to do with us, the past misconduct of the executive and the sanctions he was subject to may negatively affect our reputation and corporate image, which in turn may adversely affect our business and prospects. As part of our internal compliance procedures, we routinely conduct internal audits and inspections, including exit interviews and audits, on current and former employees. Any misconduct by our current or former employees uncovered from such compliance procedures, whether the misconduct relates to the employees' work with us, would potentially have material adverse impact on our reputation, results of operations, financial performance or future prospects. For example, in October 2020, we received a notification from Shenzhen Municipal Public Security Bureau that the bureau has filed a case for investigation of our former CEO, Mr. Lei Chen, for alleged embezzlement of the Company's assets, which, although did not result in material adverse impact on our financial reporting, caused harm to our company. In addition, we may also face disputes with former or current disgruntled employees. Any allegations against us, with or without merits, may negatively affect our reputation and corporate image.

Strategic alliances, investments or acquisitions may have a material and adverse effect on our business, reputation, results of operations and financial condition.

We may enter into strategic alliances with various third parties to further our business purposes from time to time. Strategic alliances with third parties could subject us to a number of risks, including risks associated with sharing proprietary information, non-performance by the counterparty, and an increase in expenses incurred in establishing new strategic alliances, any of which may materially and adversely affect our business. We may have little ability to control or monitor their actions. To the extent the third parties suffer negative publicity or harm to their reputations from events relating to their business, we may also suffer negative publicity or harm to our reputation by virtue of our association with such third parties.

We have in the past invested in or acquired additional assets, technologies or businesses that are complementary to our existing business. If we are presented with appropriate opportunities, we may continue to do so in the future. Investments or acquisitions and the subsequent integration of new assets and businesses into our own would require significant attention from our management and could result in a diversion of resources from our existing business, which in turn could have an adverse effect on our business operations. The costs of identifying and consummating investments and acquisitions may be significant. We may also incur significant expenses in obtaining necessary approvals from relevant government authorities in China and elsewhere in the world. In addition, investments and acquisitions could result in the use of substantial amounts of cash, potentially dilutive issuances of equity securities and exposure to potential unknown liabilities or legal risks of the acquired business. The cost and duration of integrating newly acquired businesses could also materially exceed our expectations. Even if we complete the desired acquisitions or investment, such acquisitions and investment may expose us to new operational, regulatory, market and geographic risks and challenges, including:

- our inability to maintain the key business relationships and the reputation of the businesses we acquire or invest in;
- our inability to retain key personnel of the acquired or invested company;
- uncertainty of entry into markets in which we have limited or no prior experience and in which competitors have stronger market positions;

- failure to comply with laws and regulations as well as industry or technical standards of the markets into which we expand;
- our dependence on unfamiliar affiliates and partners of the companies we acquire or invest in;
- unsatisfactory performance of the businesses we acquire or invest in;
- our responsibility for the liabilities associated with the businesses we acquire, including those that we may not anticipate;
- goodwill impairment risks associated with the businesses that we acquire;
- our inability to integrate acquired technology into our business and operations;
- our inability to develop and maintain a successful business model and to monetize and generate revenues from the businesses we acquire; and
- our inability to maintain internal standards, controls, procedures and policies.

Any of these events could disrupt our ability to manage our business. These risks could also result in our failure to derive the intended benefits of the acquisitions or investments, and we may be unable to recover our investment in such initiatives or may have to recognize impairment charges as a result.

Furthermore, the financing and payment arrangements we use in any acquisition could have a negative impact on you as an investor, because if we issue shares in connection with an acquisition, your holdings could be diluted. Moreover, if we take on significant debt to finance such acquisitions, we would incur additional interest expenses, which would divert resources from our working capital and potentially have a material adverse impact on our results of operations.

Our business, financial condition and results of operations, as well as our ability to obtain financing, may be adversely affected by the downturn in the global or Chinese economy.

The industries in which we operate, including the mobile internet industry, may be affected by economic downturns. For example, a prolonged slowdown in the world economy, including in the Chinese economy, may lead to a reduced amount of mobile internet advertising, which could materially and adversely affect our business, financial condition and results of operations. In addition, certain of our products and services may be viewed as discretionary by our users, who may choose to discontinue or reduce spending on such products and services during an economic downturn. In such an event, our ability to retain existing users and increase new users will be adversely affected, which would in turn negatively impact our business and results of operations.

Moreover, a slowdown or disruption in the global or Chinese economy may have a material and adverse impact on financings available to us. In addition, COVID-19 had a severe and negative impact on the Chinese and the global economy. Whether this will lead to a prolonged downturn in the economy is still unknown. Even before the outbreak of COVID-19, the global macroeconomic environment was facing numerous challenges. The growth rate of the Chinese economy had already been slowing since 2010. There is considerable uncertainty over the long-term effects of the expansionary monetary and fiscal policies which had been adopted by the central banks and financial authorities of some of the world's leading economies, including the United States and China, even before 2020. The weakness in the economy could erode investor confidence, which constitutes the basis of the credit market. Unrest, terrorist threats and the potential for war in the Middle East and elsewhere may increase market volatility across the globe. There have also been concerns about the relationship between China and other countries, including the surrounding Asian countries, which may potentially have economic effects. In particular, there is significant uncertainty about the future relationship between the United States and China with respect to trade policies, treaties, government regulations and tariffs. Economic conditions in China are sensitive to global economic conditions, as well as changes in domestic economic and political policies and the expected or perceived overall economic growth rate in China. The conflict between Ukraine and Russia and the imposition of broad economic sanctions on Russia may raise cost for our overseas business operations and even disrupt

global markets. The unstable economy affecting the financial markets and banking system may significantly restrict our ability to obtain financing in the capital markets or from financial institutions on commercially reasonable terms, or at all. Although we are uncertain about the extent to which the global financial and economic fluctuations and slowdown of Chinese economy may impact our business in the short-term and long-term, there is a risk that our business, results of operations, financial condition, and prospects would be materially and adversely affected by any severe or prolonged slowdown in the global or Chinese economy.

Our operations depend on the performance of the internet infrastructure in China.

The successful operation of our business depends on the performance of the internet infrastructure and telecommunications networks in China. In China, almost all access to the internet is maintained through state-owned telecommunications operators under the administrative control and regulatory supervision of the MIIT. Moreover, we have entered into contracts with various subsidiaries of a limited number of telecommunications service providers in each province for network-related services. On the one hand, if the internet industry in China does not grow as quickly as expected, our business and operations will be negatively affected. We have limited access to alternative networks or services in the event of disruptions, failures or other problems with China's internet infrastructure or the telecommunications networks provided by telecommunications service providers. In addition, our network and website regularly serve a large number of users and advertisers. With the expansion of our business, we may be required to upgrade our technology and infrastructure to keep up with the increasing traffic on our website. However, we have no control over the costs of the services provided by telecommunications service providers. If the prices we pay for telecommunications and internet services rise significantly, our results of operations may be materially and adversely affected. If internet access fees or other charges to internet users increase, our user traffic may decline and our business may be harmed. On the other hand, if the internet industry grows faster than expected and we cannot react to the market demand in a timely manner in terms of our research and development effort, the user experience and the attractiveness of our services may be harmed, which will negatively impact our business and results of operations.

If we fail to maintain an effective system of internal control over financial reporting, we may be unable to accurately report our financial results or prevent fraud or fail to meet our reporting obligations, and investor confidence in our company and the market price of our ADSs may be adversely affected.

We are subject to reporting obligations under the U.S. securities laws. The SEC, as required under Section 404 of the Sarbanes-Oxley Act of 2002, adopted rules requiring every public company to include a management report on such company's internal control over financial reporting in its annual report, which contains management's assessment of the effectiveness of our internal control over financial reporting. We are subject to the requirement to provide attestation by our independent registered public accounting firm on effectiveness of internal control over financial reporting.

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 annual report, as required by Rule 13a-15(b) under the Exchange Act. Our management has concluded that our internal control over financial reporting was effective as of December 31, 2021. Our independent registered public accounting firm, PricewaterhouseCoopers Zhong Tian LLP, also audited and concluded that our internal control over financial reporting is effective. However, if we fail to maintain effective internal control over financial reporting in the future, 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 ADSs. Additionally, ineffective internal control over financial reporting could expose us to increased risk of fraud or misuse of corporate assets and subject us to potential delisting from 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 have limited business insurance coverage and any uninsured business disruption may have an adverse effect on our results of operations and financial condition.

Insurance companies in China currently do not offer as extensive an array of insurance products as insurance companies do in more developed economies. We have limited business liability or disruption insurance to cover our operations. Any uninsured occurrence of business disruption may result in our incurring substantial costs and the diversion of resources, which could have an adverse effect on our results of operations and financial condition.

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

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

In addition, our business could be materially and adversely affected by the outbreak of pandemics such as influenza A (H1N1), avian influenza, H7N9, severe acute respiratory syndrome (SARS) or other epidemics. Any occurrence of these pandemic diseases or other adverse public health developments in China or elsewhere could severely disrupt our staffing or the staffing of our business partners, including our advertisers, and otherwise reduce the activity levels of our work force and the work force of our business partners, causing a material and adverse effect on our business operations. In response to the COVID-19 pandemic, we made remote working arrangement and suspended our offline work and all our business travels in early 2020 to ensure the safety and health of our employees. As a result, our customer service capacity was compromised which might have adversely affected our users' experience. As of the end of April 2020, we had completely resumed our operations. There are still uncertainties regarding the COVID-19 pandemic, including the duration of the pandemic, and the extent of local and worldwide social, political, and economic disruption it may cause. Moreover, it is also uncertain to what extent variants of coronavirus such as Delta and Omicron or other mutated version will negatively affect economic life and the society as a whole. While the COVID-19 pandemic has not materially and adversely affected our business, operations, or financial results as of the date of this annual report, it may have far-reaching impact, directly and indirectly, on many aspects of our operations, including potential impact on our customers, product users, suppliers, employees, cooperation partners, and the market in general, and the scope and nature of the impact continue to evolve. Resurgence of confirmed cases have happened and could happen again in the future, which could lead to the re-imposition of various restrictions. We will continue to monitor and assess the development of the COVID-19 pandemic and intend to make adjustments to our business accordingly.

Risks Related to Our Corporate Structure

If the PRC government finds that the agreements that establish the structure for operating our businesses in China do not comply with PRC governmental restrictions on foreign investment in internet-related business and foreign investors' mergers and acquisition activities in China, or if these regulations or the interpretation of existing regulations change in the future, we could be subject to severe penalties or be forced to relinquish our interests in those operations.

Current PRC laws and regulations place certain restrictions on foreign ownership of companies that engage in internet businesses, including the provision of online game and online advertising services. For example, foreign investors' equity interests in value-added telecommunication service providers, other than e-commerce service providers, may not exceed 50%, and the Provisions on the Administration of Foreign-Invested Telecommunications Enterprises (2016 Revision) requires that the major foreign investor in a value-added telecommunication service provider in China must have experience in providing value-added telecommunication services overseas and maintain a good track record. In addition,

foreign investors are prohibited from investing in or operating entities engaged in, among others, internet cultural operating service, and online transmission of audio-visual programs service. We are a Cayman Islands exempted company and Giganology (Shenzhen) Co., Ltd., or Giganology Shenzhen and Xunlei Computer (Shenzhen) Co., Ltd., or Xunlei Computer, our PRC subsidiaries, are considered foreign-invested enterprises. Accordingly, neither of these two PRC subsidiaries is eligible to provide value-added telecommunication services and the aforementioned internet related services in China. As a result, we conduct our operations in China principally through contractual arrangements among Giganology Shenzhen and Shenzhen Xunlei and its shareholders. Shenzhen Xunlei or its subsidiaries hold the licenses and permits necessary to conduct our resource discovery network, online advertising, online games, cloud computing and related businesses in China, and Shenzhen Xunlei hold various operating subsidiaries that conduct a majority of our operations in China. Our contractual arrangements with Shenzhen Xunlei and its shareholders enable us to exercise effective control over Shenzhen Xunlei and Shenzhen Xunlei's operating subsidiaries and hence treat them as our consolidated entities and consolidate their results. For a detailed discussion of these contractual arrangements, see "Item 4. Information on the Company—C. Organizational Structure."

We cannot assure you, however, that we will be able to enforce these contracts. Although we have been advised by TransAsia Lawyers, our PRC legal counsel, that each contract under these contractual arrangements with Shenzhen Xunlei and its shareholders is valid, binding and enforceable under current PRC laws and regulations, we cannot assure you that the PRC government would agree that these contractual arrangements comply with PRC licensing, registration or other regulatory requirements, with existing policies or with requirements or policies that may be adopted in the future. PRC laws and regulations governing the validity of these contractual arrangements are uncertain and the relevant government authorities have broad discretion in interpreting these laws and regulations. If the PRC government determines that we do not comply with applicable laws and regulations, it could revoke our business and operating licenses, require us to discontinue or restrict our operations, impose fines, restrict our right to collect revenues, block our website, require us to restructure our operations, impose additional conditions or requirements with which we may not be able to comply, or take other regulatory or enforcement actions against us that could be harmful to our business. The imposition of any of these penalties would result in a material and adverse effect on our ability to conduct our business. In addition, if the PRC government deems that our contractual arrangements with the variable interest entities do not comply with PRC regulatory restrictions on foreign investment in the relevant industries, or if these regulations or the interpretation of existing regulations change or are interpreted differently in the future, we could be subject to severe penalties or be forced to relinquish our interests in those operations. We may also not be able to repay the notes and other indebtedness, and our shares may decline in value or become worthless, if we are unable to assert our contractual control rights over the assets of our PRC subsidiaries, which contribute to 95.47% of our revenues in 2021. Our holding company in the Cayman Islands, the variable interest entities, and investors of our company face uncertainty about potential future actions by the PRC government that could affect the enforceability of the contractual arrangements with the variable interest entities and, consequently, significantly affect the financial performance of the variable interest entities and our company as a group.

We rely on contractual arrangements with the variable interest entity in China and its shareholders for our operations, which may not be as effective as ownership in providing operational control the variable interest entity and its subsidiaries.

Since PRC laws restrict foreign equity ownership in companies engaged in internet business in China, we rely on contractual arrangements with Shenzhen Xunlei, the VIE, and the shareholders of Shenzhen Xunlei to operate our business in China. If we had ownership of Shenzhen Xunlei, we would be able to exercise our rights as a shareholder to effect changes in the board of directors of Shenzhen Xunlei, which in turn could effect changes at the management level, subject to any applicable fiduciary obligations. However, under the current contractual arrangements, we rely on Shenzhen Xunlei and its shareholders' performance of their contractual obligations to exercise effective control. In addition, our operating contract with Shenzhen Xunlei has an initial term of ten years and an extended term of ten years since 2016. The operating contract will be automatically extended for an additional 10-year period subject to Giganology Shenzhen's unilateral termination right. In general, none of Shenzhen Xunlei and its shareholders may terminate the contracts prior to the expiration date. However, the shareholders of Shenzhen Xunlei may not act in the best interests of our company or may not perform their obligations under these contracts, including the obligation to renew these contracts when their initial contract term expires. Such risks exist throughout the period in which we intend to operate our business through the contractual arrangements with Shenzhen Xunlei. We may replace the shareholders of Shenzhen Xunlei at any time pursuant to our contractual arrangements with Shenzhen Xunlei and its shareholders. However, if any dispute relating to

these contracts remains unresolved, we will have to enforce our rights under these contracts through the operations of PRC law and courts and therefore will be subject to uncertainties in the PRC legal system. See “—Any failure by Shenzhen Xunlei or its shareholders to perform their obligations under our contractual arrangements with them may have a material adverse effect on our business” and “Item 4. Information on the Company—C. Organizational Structure.” Therefore, these contractual arrangements may not be as effective as ownership in providing us with control over Shenzhen Xunlei.

Any failure by Shenzhen Xunlei or its shareholders to perform their obligations under our contractual arrangements with them may have a material adverse effect on our business.

Shenzhen Xunlei or its shareholders may fail to take certain actions required for our business or follow our instructions despite their contractual obligations to do so. If they fail to perform their obligations under their respective agreements with us, we may have to rely on legal remedies under PRC law, including seeking specific performance or injunctive relief, which may not be effective. As of the date of this annual report, Mr. Sean Shenglong Zou, our co-founder and director, owned 76% of the equity interest in Shenzhen Xunlei, the variable interest entity. Under the equity pledge agreement among Giganology Shenzhen and the shareholders of Shenzhen Xunlei, as amended, the shareholders of Shenzhen Xunlei have pledged all of their equity interests in Shenzhen Xunlei to Giganology Shenzhen to guarantee Shenzhen Xunlei and its shareholders’ performance of their respective obligations under the related contractual arrangements. In addition, the shareholders of Shenzhen Xunlei have completed the registration of equity pledge under the equity pledge agreement with the competent governmental authority. Pursuant to the contractual arrangements, we have the right to replace any shareholders of Shenzhen Xunlei at any time. For example, if any of the shareholders of Shenzhen Xunlei refuses or fails to perform his or her obligations under the contractual arrangements due to his or her significant equity interest in Shenzhen Xunlei and his or her relatively smaller percentage of equity interest in our Company, we can enforce the contractual arrangements and transfer his or her equity interests to another appointee of Giganology Shenzhen. However, we cannot assure you that such transfer can be implemented successfully or without significant costs. As a result, there are risks that we might not be able to have an effective control over the variable interest entity in the future.

Moreover, the exercise of call options under the equity interest disposal agreement, the intellectual properties purchase option agreement and certain other contractual arrangements will be subject to the review and approval of competent governmental authorities and incur additional expenses.

All of these contractual arrangements are governed by PRC law and provide for the resolution of disputes through arbitration in the PRC. Accordingly, these contracts would be interpreted in accordance with PRC law and any disputes would be resolved in accordance with PRC legal procedures. The legal environment in the PRC is not as developed as in certain other jurisdictions, such as the United States. As a result, uncertainties in the PRC legal system could limit our ability to enforce these contractual arrangements, which may make it difficult to exert effective control over the variable interest entity and its subsidiaries, and our ability to conduct our business may be adversely affected.

Contractual arrangements with the variable interest entity may result in adverse tax consequences to us.

Under applicable PRC tax laws and regulations, arrangements and transactions among related parties may be subject to audit or scrutiny by the PRC tax authorities within ten years after the taxable year when the arrangements or transactions are conducted. See “Item 4. Information on the Company—B. Business Overview—Regulation—Regulation on tax—PRC enterprise income tax.” We could face material and adverse tax consequences if the PRC tax authorities were to determine that the contractual arrangements among Giganology Shenzhen, our wholly owned subsidiary in China, and Shenzhen Xunlei, the variable interest entity in China and its shareholders, as well as the intellectual property framework agreement between Xunlei Computer and Shenzhen Xunlei were not entered into on an arm’s-length basis and therefore constituted unfavorable transfer pricing arrangements. Unfavorable transfer pricing arrangements could, among other things, result in an upward adjustment on taxation, and the PRC tax authorities may impose interest on late payments on Shenzhen Xunlei, for the adjusted but unpaid taxes. Our results of operations may be materially and adversely affected if Shenzhen Xunlei’s tax liabilities increase significantly or if it is required to pay interest on late payments.

The shareholders of Shenzhen Xunlei may have potential conflicts of interest with us, which may materially and adversely affect our business.

Sean Shenglong Zou, Hao Cheng, Fang Wang, Jianming Shi and Guangzhou Shulian Information Investment Co., Ltd. are shareholders of Shenzhen Xunlei. We provide no incentives to the shareholders of Shenzhen Xunlei for the purpose of encouraging them to act in our best interests in their capacity as the shareholders of Shenzhen Xunlei. We may replace the shareholders of Shenzhen Xunlei at any time pursuant to the currently effective equity option agreements between us and these shareholders.

As a director of our company, Mr. Zou has a duty of loyalty and care to us under Cayman Islands law. We are not aware that other publicly listed companies in China with a similar corporate and ownership structure as ours have brought conflicts of interest claims against the shareholders of their respective variable interest entities. However, we cannot assure you that when conflicts arise, the shareholders of Shenzhen Xunlei will act in the best interests of our company or that conflicts will be resolved in our favor. If we cannot resolve any conflicts of interest or disputes between us and the shareholders of Shenzhen Xunlei, we would have to rely on legal proceedings, which may be expensive, time-consuming and disruptive to our operations. There is also substantial uncertainty as to the outcome of any such legal proceedings.

We may rely principally on dividends and other distributions on equity paid by our PRC subsidiaries to fund any cash and financing requirements we may have. Any limitation on the ability of Giganology Shenzhen and Xunlei Computer to pay dividends to us could have a material adverse effect on our ability to conduct our business.

We are a holding company and we may rely principally on dividends and other distributions on equity paid by our wholly owned PRC subsidiaries including Giganology Shenzhen and Xunlei Computer, for our cash and financing requirements, including the funds necessary to pay dividends and other cash distributions to our shareholders and service any debt we may incur. If Giganology Shenzhen incurs debt on its own behalf in the future, the instruments governing the debt may restrict its ability to pay dividends or make other distributions to us. In addition, the PRC tax authorities may require us to adjust our taxable income under the contractual arrangements Giganology Shenzhen currently has in place with Shenzhen Xunlei, the variable interest entity, as well as the intellectual property framework agreement between Xunlei Computer and Shenzhen Xunlei, in a manner that would materially and adversely affect its ability to pay dividends and other distributions to us. As of December 31, 2021, we had cash or cash equivalents of approximately RMB356.4 million (US\$56.0 million) and US\$30.9 million located within the PRC, of which RMB138.3 million (US\$20.1 million) and US\$0.59 million is held by Shenzhen Xunlei and its subsidiaries. We also have restricted cash of RMB26.0 million (US\$4.1 million) as of December 31, 2021. The transfer of all the cash or cash equivalents is subject to PRC government's restrictions on currency conversion.

Under PRC laws and regulations, Giganology Shenzhen and Xunlei Computer, as wholly foreign-owned enterprises in the PRC, may pay dividends only out of its accumulated after-tax profits as determined in accordance with PRC accounting standards and regulations. In addition, wholly foreign-owned enterprises such as Giganology Shenzhen and Xunlei Computer are required to set aside at least 10% of their accumulated after-tax profits each year, if any, to fund certain statutory reserve funds, until the aggregate amount of such a fund reaches 50% of their respective registered capital. At their discretion, wholly foreign-owned enterprises may allocate a portion of their after-tax profits based on PRC accounting standards to staff welfare and bonus funds. These reserve funds and staff welfare and bonus funds are not distributable as cash dividends. Any limitation on the ability of Giganology Shenzhen and Xunlei Computer to pay dividends or make other distributions to us could materially and adversely limit our ability to grow, make investments or acquisitions that could be beneficial to our business, pay dividends, or otherwise fund and conduct our business. See also "Item 3. Key Information—D. Risk Factors—Risks related to doing business in China—Our global income may be subject to PRC taxes under the PRC EIT Law, which may have a material adverse effect on our results of operations."

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

We may (i) make additional capital contributions to our PRC subsidiaries, (ii) establish new PRC subsidiaries and make capital contributions to these new PRC subsidiaries, (iii) make loans to our PRC subsidiaries or variable interest entity and its subsidiaries, or (iv) acquire offshore entities with business operations in China in an offshore transaction. However, most of these uses are subject to PRC regulations and approvals. For example:

- loans by us to our PRC subsidiaries, which are foreign-invested enterprises, to finance their respective activities cannot exceed statutory limits and must be registered with the PRC State Administration of Foreign Exchange, or SAFE, or its local branches; and
- loans by us to the variable interest entity, which is a domestic PRC entity, may not exceed the statutory limit, and any medium or long-term loan we extend to the variable interest entity must be recorded and registered by the National Development and Reform Commission and SAFE or its local branches.

On March 30, 2015, SAFE issued the Circular on Reform of the Administrative Rules of the Payment and Settlement of Foreign Exchange Capital of Foreign Invested Enterprises, or the SAFE Circular No. 19, which became effective on June 1, 2015. SAFE Circular 19 adopts a concept of “discretionary conversion,” which is defined as the conversion of a foreign-invested enterprise’s foreign currency registered capital in accordance with the enterprise’s actual business needs. No review of the purpose of the funds is required at the time of conversion under SAFE Circular 19. However, use of any RMB funds converted from its registered capital shall be based on actual transactions. In addition, equity investments using converted registered capital are no longer prohibited under SAFE Circular 19.

SAFE issued the Circular on Reforming and Regulating Policies on the Control over Foreign Exchange Settlement of Capital Accounts, or SAFE Circular 16, on June 9, 2016, which became effective on the same day. Pursuant to SAFE Circular 16, enterprises registered in China may also convert their foreign debts from foreign currency to RMB in their own discretion. SAFE Circular 16 provides an integrated standard for the conversion of foreign exchange under capital account items (including but not limited to foreign currency capital and foreign debts) on a self-discretionary basis, which applies to all enterprises registered in China. SAFE Circular 16 reiterates the principle that RMB converted from foreign currency-denominated capital of a company may not be directly or indirectly used for purposes beyond its business scope or prohibited by PRC laws or regulations, while such converted RMB shall not be provided as loans to its non-affiliated entities, or used for construction and purchase of non-self-used real estate (excluding real estate enterprises) or unless otherwise expressly provided in law, directly or indirectly used in securities investment or other financial management excluding the bank capital preservation products.

Although SAFE Circular No. 19 and SAFE Circular No. 16 allow for the use of RMB converted from the foreign currency denominated capital for equity investments in the PRC, the restrictions on RMB capital of foreign-invested enterprises will continue to apply as to foreign-invested enterprises’ use of the converted RMB for purposes beyond the business scope, for the loans to non-associated companies or issuing inter-company RMB loans. Violations of SAFE Circular 19 and SAFE Circular 16 could result in administrative penalties. SAFE Circular 19 and SAFE Circular 16 may significantly limit our ability to transfer any foreign currency we hold, including the net proceeds from our equity offering and notes offering, to our PRC subsidiaries, which may adversely affect our liquidity and our ability to fund and expand our business in China.

On October 23, 2019, SAFE issued the Notice of the State Administration of Foreign Exchange on Further Promoting the Facilitation of Cross-border Trade and Investment, or SAFE Circular 28. SAFE Circular 28 allows non-investment foreign-invested enterprises to use their capital funds to make equity investments in China, provided that such investments do not violate the Negative List and that the target investment projects are genuine and in compliance with PRC laws. In light of the various requirements imposed by PRC regulations on loans to and direct investment in PRC entities by offshore holding companies, we cannot assure you that we will be able to complete the necessary government registrations or obtain necessary government approvals on a timely basis, if at all, with respect to future loans by us to our

PRC subsidiaries or with respect to future capital contributions by us to our PRC subsidiaries. If we fail to complete such registrations or obtain such approvals, our ability to use the proceeds from our equity offering and notes offering and to capitalize or otherwise fund our PRC operations may be negatively affected, which could materially and adversely affect our liquidity and our ability to fund and expand our business.

We may lose the ability to use and enjoy assets held by the variable interest entity and its subsidiaries that are important to the operation of our business if any of such entities goes bankrupt or becomes subject to a dissolution or liquidation proceeding.

As part of our contractual arrangements with the variable interest entity, the variable interest entity and its subsidiaries hold certain assets that are important to the operation of our business, including patents for the proprietary technology and related domain names and trademarks. If any of the variable interest entity or its subsidiaries goes bankrupt and all or part of its assets become subject to liens or rights of third-party creditors, we may be unable to continue some or all of our business activities, which could materially and adversely affect our business, financial condition and results of operations. Under the contractual arrangements, the variable interest entity and its subsidiaries may not, in any manner, sell, transfer, mortgage or dispose of their assets or legal or beneficial interests in the business without our prior consent. If the variable interest entity undergoes a voluntary or involuntary liquidation proceeding, the unrelated third-party creditors may claim rights to some or all of these assets, thereby hindering our ability to operate our business, which could materially and adversely affect our business, financial condition and results of operations.

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

On March 15, 2019, the National People's Congress enacted the Foreign Investment Law, which came into effect on January 1, 2020 and replace the trio of existing laws regulating foreign investment in China, namely, the Sino-foreign Equity Joint Venture Enterprise Law, the Sino-foreign Cooperative Joint Venture Enterprise Law and the Wholly Foreign-invested Enterprise Law, together with their implementation rules and ancillary regulations. The Foreign Investment Law embodies an expected PRC regulatory trend to rationalize its foreign investment regulatory regime in line with prevailing international practice and the legislative efforts to unify the corporate legal requirements for both foreign and domestic investments. However, since it is relatively new, uncertainties still exist in relation to its interpretation and implementation. For instance, under the Foreign Investment Law, "foreign investment" refers to the investment activities directly or indirectly conducted by foreign individuals, enterprises or other entities in China. Though it does not explicitly classify contractual arrangements as a form of foreign investment, there is no assurance that foreign investment via contractual arrangement would not be interpreted as a type of indirect foreign investment activities under the definition in the future. In addition, the definition contains a catch-all provision which includes investments made by foreign investors through means stipulated in laws or administrative regulations or other methods prescribed by the State Council. Therefore, it still leaves leeway for future laws, administrative regulations or provisions promulgated by the State Council to provide for contractual arrangements as a form of foreign investment. In any of these cases, it will be uncertain whether our contractual arrangements will be deemed to be in violation of the market access requirements for foreign investment under the PRC laws and regulations. Furthermore, if future laws, administrative regulations or provisions prescribed by the State Council mandate further actions to be taken by companies with respect to existing contractual arrangements, we may face substantial uncertainties as to whether we can complete such actions in a timely manner, or at all. Failure to take timely and appropriate measures to cope with any of these or similar regulatory compliance challenges could materially and adversely affect our current corporate structure, corporate governance and business operations.

Risks Related to Doing Business in China

Changes in China's economic, political or social conditions or government policies could have a material adverse effect on our business and operations.

Almost all of our assets and operations are located in China. Accordingly, our business, financial condition, results of operations and prospects may be influenced to a significant degree by political, economic and social conditions in China generally and by continued economic growth in China as a whole.

The Chinese economy differs from the economies of most developed countries in many respects, including the level of government involvement, level of development, growth rate, control of foreign exchange and allocation of resources. Although the Chinese government has implemented measures emphasizing the utilization of market forces for economic reform, the reduction of state ownership of productive assets, and the establishment of improved corporate governance in business enterprises, a substantial portion of productive assets in China is still owned by the government. In addition, the Chinese government continues to play a significant role in regulating industry development by imposing industrial policies. The Chinese government also exercises significant control over China's economic growth through allocating resources, controlling payment of foreign currency-denominated obligations, setting monetary policy, and providing preferential treatment to particular industries or companies, such as those qualified to operate in free trade zones designated in certain major cities in China.

While the Chinese economy has experienced significant growth over the past decades, growth has been uneven, both geographically and among various sectors of the economy and the rate of growth has been slowing. The Chinese government has implemented various measures to encourage economic growth and guide the allocation of resources. Some of these measures may benefit the overall Chinese economy, but may have a negative effect on us. For example, our financial condition and results of operations may be adversely affected by government control over capital investments or changes in tax regulations. The growth rate of the Chinese economy has gradually slowed since 2010, and the impact of COVID-19 on the Chinese economy in 2020 is severe. Any prolonged slowdown in the Chinese economy may reduce the demand for our products and services and materially and adversely affect our business and results of operations.

Regulation and censorship of information disseminated over the internet in China have adversely affected our business and may continue to adversely affect our business, and we may be liable for the digital media content on our platform.

China has strict regulations governing telecommunication service providers, internet and wireless access and the distribution of news and other information. Under these regulations, internet content providers, or ICPs, like us are prohibited from posting or displaying over the internet or wireless networks content that, among other things, violates PRC laws and regulations. If an ICP finds that prohibited content is transmitted on its website or stored in its system, it must terminate the transmission of such information or delete such information immediately and keep records and report to relevant authorities. Failure to comply with these requirements could lead to the revocation of the VATS License, which is required for our ICP services and other required licenses and the closure of the offending websites, and cloud network operators or website operators may also be held liable for prohibited content displayed on, retrieved from or linked to such network or website. We monitor digital media contents on our platform and periodically review and inspect whether there are contents that violate relevant PRC laws and regulations. However, we cannot assure you that we will always be able to identify and remove in a timely manner all digital media contents on our platform that violate relevant PRC laws and regulations. If we fail to timely remove relevant contents, we may be subject to relevant legal liabilities. In addition, efforts to constantly self-monitor in order to comply with these requirements could negatively impact user experience and lead to a decline in user numbers.

The Chinese government intensified its efforts to remove inappropriate content disseminated over the internet and wireless networks, and our efforts to monitor content on our platform and website led to a decline in subscriber numbers in the past few years. In April 2014, the Chinese government initiated a campaign to enhance and enforce its scrutiny on internet content in China, particularly for pornographic content, and various websites were subject to penalties and in some cases outright suspension of website operations. In December 2018, the Office of the Central Cyberspace Affairs Commission of China, or CAC, launched a campaign against illegal activities and inappropriate content on mobile apps and undertook restrictive measures against thousands of mobile apps, including suspension of mobile app operations for an indefinite period of time or permanently shutting down the mobile app operations. We regularly conducted internal compliance investigation to ensure that the content transmitted by our products is in compliance with the standards set out by the authorities. To date, we have deleted approximately a half million of cached files, blocked over one million digital files and added thousands of key words to our automatic keyword filtration system. We may experience further decline in user and subscriber numbers as we continue in our efforts to comply with the rules and regulations of the Chinese government.

We are subject to changing law and regulations regarding regulatory matters, corporate governance and public disclosure that have increased both our costs and the risk of non-compliance.

We are subject to rules and regulations by various governing bodies, including, for example, the Securities and Exchange Commission, which is charged with the protection of investors and the oversight of companies whose securities are publicly traded, and the various regulatory authorities in China and the Cayman Islands, and to new and evolving regulatory measures under applicable law. Our efforts to comply with new and changing laws and regulations have resulted in and are likely to continue to result in, increased general and administrative expenses and a diversion of management time and attention from revenue-generating activities to compliance activities.

Moreover, because these laws, regulations and standards are subject to varying interpretations, their application in practice may evolve over time as new guidance becomes available. This evolution may result in continuing uncertainty regarding compliance matters and additional costs necessitated by ongoing revisions to our disclosure and governance practices. If we fail to address and comply with these regulations and any subsequent changes, we may be subject to penalty and our business may be harmed.

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

We conduct our business primarily through our PRC subsidiaries and the variable interest entity and its subsidiaries in China. Our operations in China are governed by PRC laws and regulations. The PRC government has significant oversight and discretion over the conduct of our business, and it may influence our operations, which could result in a material adverse change in our operation and the value of our ordinary shares and ADSs. Also, the PRC government has recently indicated an intent to exert more oversight and control over offerings that are conducted overseas and foreign investment in China-based issuers.

For example, on July 6, 2021, the relevant PRC government authorities made public the Opinions on Strictly Scrutinizing Illegal Securities Activities in Accordance with the Law. These opinions emphasized the need to strengthen the administration over illegal securities activities and the supervision on overseas listings by China-based companies and proposed to take effective measures, such as promoting the construction of relevant regulatory systems to deal with the risks and incidents faced by China-based overseas-listed companies. As a follow-up, on December 24, 2021, the State Council issued a draft of the Provisions of the State Council on the Administration of Overseas Securities Offering and Listing by Domestic Companies, and the CSRC issued a draft Administration Measures for the Filing of Overseas Securities Offerings and Listings by Domestic Companies, for public comments. These draft measures propose to establish a new filing-based regime to regulate overseas offerings and listings by domestic companies. Specifically, an overseas offering and listing by a PRC company, whether directly or indirectly, an initial or follow-on offering, must be filed with the CSRC. Any such action could significantly limit or completely hinder our ability to offer or continue to offer securities to investors. In addition, implementation of industry-wide regulations directly targeting our operations could cause the value of our securities to significantly decline. Therefore, investors of our company and our business face potential uncertainty from actions taken by the PRC government affecting our business.

On April 13, 2020, the CAC, the NDRC and other PRC government authorities jointly promulgated the Measures for Cybersecurity Reviews, which was amended on December 28, 2021 with effect from February 15, 2022. The Measures for Cybersecurity Reviews require that, among others, operators of “critical information infrastructure” purchasing internet products or services or network platform operators carrying out data processing activities, that affect or may affect national security, shall apply with the Cybersecurity Review Office for a cybersecurity review. In addition, a network platform operator holding over one million users’ personal information shall apply with the Cybersecurity Review Office for a cybersecurity review before any public offering and listing on a foreign stock exchange. On November 14, 2021, the CAC released the draft Administrative Measures for Internet Data Security, or the Draft Measures for Internet Data Security, for public comments, which requires, among others, that a prior cybersecurity review would be required for the overseas listing of data processors that process over one million users’ personal information, or the listing of data processors in Hong Kong that affects or may affect national security. Since the Draft Measures for Internet Data Security are in the process of being formulated and the Opinions on Strictly Cracking Down Illegal Securities Activities in Accordance with the Law remain unclear on how relevant rules and regulations will be interpreted, amended and implemented by the

relevant PRC governmental authorities, it remains uncertain how PRC governmental authorities will regulate overseas listing in general and whether we are required to obtain any specific regulatory approvals from the CSRC, CAC or any other PRC governmental authorities for our future offshore offerings (if any). If the CSRC, CAC or other regulatory agencies later promulgate new rules or explanations requiring that we obtain their approvals for our future offshore offerings (if any), we may be unable to obtain such approvals in a timely manner, or at all, and such approvals may be rescinded even if obtained. Any such circumstance could significantly limit or completely hinder our ability to continue to offer securities to investors and cause the value of such securities to significantly decline or be worthless. In addition, implementation of industry-wide regulations directly targeting our operations could cause the value of our securities to significantly decline. Therefore, investors of our company and our business face potential uncertainty from actions taken by the PRC government affecting our business.

Uncertainties with respect to the PRC legal system could adversely affect us.

We conduct our business primarily through our PRC subsidiaries and variable interest entity and its subsidiaries in China. Our operations in China are governed by PRC laws and regulations. Giganology Shenzhen is a foreign-invested enterprise and is subject to laws and regulations applicable to foreign investment in China and, in particular, laws applicable to foreign-invested enterprises. The PRC legal system is a civil law system based on written statutes. Unlike the common law system, prior court decisions under the civil law system may be cited for reference but have limited precedential value.

Over the past three decades, the PRC government has enacted legislation that has 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, the interpretation and enforcement of these laws and regulations involve uncertainties. Since PRC administrative and court authorities have significant discretion in interpreting and implementing statutory and contractual terms, it may be difficult to evaluate the outcome of administrative and court proceedings and the level of legal protection we enjoy. These uncertainties may affect our judgment on the relevance of legal requirements and our ability to enforce our contractual or tort rights. In addition, the regulatory uncertainties may be exploited through unmerited or frivolous legal actions or threats in attempts to extract payments or benefits from us.

Furthermore, 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 and may have retroactive effect. Regulatory authorities may also stretch the interpretations of existing laws and regulations. As a result, we may not be aware of our violation of any of these policies and rules until sometime after the violation or the stretched interpretation, which may subject us to liabilities and can materially and adversely affect our business. PRC government has significant oversight over the conduct of our business and it has recently indicated an intent to exert more oversight over offerings that are conducted overseas and/or foreign investment in China-based issuers. Any such action could significantly limit or completely hinder our ability to offer or continue to offer securities to investors and cause the value of such securities to significantly decline or be worthless. In addition, any administrative and court proceedings in China may be protracted, resulting in substantial costs and diversion of resources and management attention.

We believe that our patents, trademarks, trade secrets, copyrights, and other intellectual property are important to our business. We rely on a combination of patent, trademark, copyright and trade secret protection laws in China and other jurisdictions, as well as confidentiality procedures and contractual provisions to protect our intellectual property and our brand. Protection of intellectual property rights in China may not be as effective as in the United States or other jurisdictions, and as a result, we may not be able to adequately protect our intellectual property rights, which could adversely affect our revenues and competitive position.

We may be adversely affected by the complexity, uncertainties and changes in PRC regulations of internet-related business and companies.

The PRC government extensively regulates the internet industry, including foreign ownership of, and the licensing and permit requirements pertaining to, companies in the internet industry. 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 it may be difficult to determine what actions or omissions may be deemed to be in violation of applicable laws and regulations. Issues, risks and uncertainties relating to PRC regulation of the internet business include, but are not limited to, the following:

- We only have contractual control over our resource discovery network and cloud computing. We do not own the resource discovery network and cloud computing due to the restriction of foreign investment in businesses providing value-added telecommunication services in China, including internet content provision or CDN services. This may significantly disrupt our business, subject us to sanctions, compromise enforceability of related contractual arrangements, or have other harmful effects on us.
- There are uncertainties relating to the regulation of the internet business in China, including evolving licensing practices and the requirement for real-name registrations. This means that permits, licenses or operations at some of our companies 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 approvals, we may be subject to various penalties, including fines and discontinuation of or restriction on our operations. Any such disruption in our business operations may have a material and adverse effect on our results of operations.
- New laws and regulations may be promulgated that will regulate internet activities, including live streaming, online games and online advertising businesses. If these new laws and regulations are promulgated, additional licenses may be required for our operations. If our operations do not comply with these new regulations after they become effective, or if we fail to obtain any licenses required under these new laws and regulations, we could be subject to penalties.

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 businesses in China, including our business. For example, in September 2009, GAPPRFT and the National Office of Combating Pornography and Illegal Publications jointly published a notice, or Circular 13, which expressly prohibits foreign investors from participating in online game operating business via wholly owned, equity joint venture or cooperative joint venture investments in China, and from controlling and participating in such businesses directly or indirectly through contractual or technical support arrangements. Other government agencies with substantial regulatory authority over online game operations and foreign investment entities in China, such as MIIT and MOCT, did not join GAPPRFT in issuing Circular 13. While Circular 13 is applicable to us and our online game business on an overall basis, to date, GAPPRFT or SAPPRT has not issued any interpretation of Circular 13 and, to our knowledge, has not taken any enforcement action under Circular 13 against any company that relies on contractual arrangements with affiliated entities to operate online games in China. We cannot assure you 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 are also risks that we may be found to violate the existing or future laws and regulations given the uncertainty and complexity of China's regulation of internet business.

Subject to interpretation by the relevant authorities, it may not be possible for us to determine in all cases the type of content that could result in liability for us, especially if the Chinese government continues to maintain or strengthen its heightened scrutiny on internet content in China. We may not be able to control or restrict all of the digital media content generated, transmitted or placed on our network by our users, despite our attempt to monitor and filter such content. To the extent that regulatory authorities find any portion of our content on our network or website objectionable or requiring any license or permit that we have not obtained, they may require us to limit or eliminate the dissemination of such information or otherwise curtail the nature of such content, and keep records and report to relevant authorities, which may reduce our user traffic. In addition, we may be subject to significant penalties for violations of those regulations arising from prohibited content displayed on, retrieved from or uploaded to our network or website, including a suspension or shutdown of our operations. The enforcement activities may be intensified in connection with any ongoing government campaigns. In addition, while we maintain a regular internal monitoring and compliance protocol, we cannot ascertain that we would not fall foul of any changing or new government regulations or standards in the future. If we receive a public warning from the relevant government authorities or our licenses for acceleration services are revoked, our reputation

would be harmed and if the operation of our acceleration services or other products is suspended or shut down entirely or in part, our revenues and results of operation may be materially and adversely affected. Furthermore, the internal compliance investigation and the removal of content may have a material impact on our cloud acceleration services, which in turn may lead to a decrease in users and have an adverse effect on our revenues and results of operations. To date, we have not been able to quantify the magnitude and extent of such impact.

We may be sued by our game players and held liable for losses of virtual assets by such players, which may negatively affect our reputation and business, financial condition and results of operations.

While playing online games or participating in other online activities, players acquire and accumulate some virtual assets, such as special equipment and other accessories. Such virtual assets may be important to online game players and have monetary value and, in some cases, are sold for actual money. In practice, virtual assets can be lost for various reasons, often through unauthorized use of the game account of one user by other users and occasionally through data loss caused by a delay of network service, a network crash or hacking activities.

Under the Civil Code of the People's Republic of China, effective in January 2020, where any laws provide for the protection of data and network virtual property, such laws shall apply. However, currently, there is no PRC law or regulation specifically governing virtual asset property rights. As a result, there is uncertainty as to who the legal owner of virtual assets is, whether and how the ownership of virtual assets is protected by law, and whether an operator of online games such as us would have any liability to game players or other interested parties (whether in contract, tort or otherwise) for loss of such virtual assets. Based on recent PRC court judgments, the courts have typically held online game operators liable for losses of virtual assets by game players, and ordered online game operators to return the lost virtual items to game players or pay damages and losses, as well as required the game operators to provide well-developed security systems to protect such virtual assets owned by game players. In case of a loss of virtual assets, we may be sued by our game players or users and held liable for damages, which may negatively affect our reputation and business, financial condition and results of operations.

Non-compliance with the laws or regulations governing virtual currency may result in penalties that could have a material adverse effect on our live streaming business and results of operations.

The Notice on the Reinforcement of the Administration of Online Games issued by the Ministry of Culture and other governmental authorities on February 15, 2007 directs the People's Bank of China to strengthen the administration of virtual currency to avoid any adverse impact on the PRC economic and financial system. This notice provides that the total amount of virtual currency issued by an operator and the amount of purchased by individual users should be strictly limited, with a strict and clear division between virtual transactions and real transactions carried out by way of electronic commerce. This notice also provides that virtual currency should only be used to purchase virtual items. We created virtual currency "Golden Coins" for the operation of our live streaming services. Users can purchase "Golden Coins" from us so that they can purchase virtual gifts on our live streaming platforms to reward broadcasters they like. "Golden Coins" can also be used to purchase other value-added services on our live streaming platforms. Other than virtual gifts and value-added services, "Golden Coins" cannot be used for any other purposes.

On June 4, 2009, the Ministry of Culture and the MOFCOM jointly issued the Notice on Strengthening the Administration of Online Game Virtual Currency, or the Virtual Currency Notice. The Virtual Currency Notice requires that the operators who engage in issuance of online game virtual currency or offering of online game virtual currency transaction services shall apply for approval from the MOC through its provincial branches. The term "virtual currency" is widely used in the live streaming industry, such term as used in the live streaming industry does not fall under the definition under the Virtual Currency Notice. Although we do not think Virtual Currency Notice applies to the operation of our live streaming platform, given the wide discretion of relevant governmental authorities and uncertainties in the regulatory environment, we cannot assure you that relevant governmental authorities will not in the future interpret the Virtual Currency Notice in a different way and subject our operation to the scope of the Virtual Currency Notice or issue new rules to regulate the virtual currency in our industry. In that case, our operation may be adversely affected.

Intensified government regulation of the internet industry in China could restrict our ability to maintain or increase our user base.

The PRC government has, in recent years, intensified regulation on various aspects of the internet industry in China. For example, in January 2011, MIIT and seven other PRC central government authorities jointly issued a circular entitled Implementation Scheme regarding Parental Guardianship Project for Minors Playing Online Games, under which online game operators are required to adopt various measures to maintain a system to communicate with the parents or other guardians of minors playing their online games and are required to monitor online game activities of minors and suspend the accounts of minors if so required by their parents or guardians. In October 2019, General Administration of Press and Publication issued the Anti-indulgence Notice which imposed an array of restrictions on online game operators to prevent underage users from indulging in online games. The Anti-indulgence Notice also requires online game operators to take effective measures to restrict minors from using paid services that are inconsistent with their capacity for civil conduct. See “Item 4. Information on the Company—B. Business Overview—Regulation—Regulation on anti-fatigue system, real-name registration system and parental guardianship project.” While we support these measures, these restrictions could also limit our ability to grow our user base for our online game business. Furthermore, if these restrictions are expanded to apply to adult game players in the future, our ability to grow our user base could be further limited and online games business could be materially and adversely affected.

In addition, the Chinese government has in recent years intensified its efforts to remove inappropriate content disseminated over the internet. In April 2014, the Chinese government initiated a campaign to enhance and enforce its scrutiny over internet content in China, particularly for pornographic content, and various websites were subject to penalties and in some cases outright suspension of website operations. In August 2017, the CAC promulgated the Provisions on the Administration of Internet Comments Posting Services, and the Provisions on the Administration of Internet Forum and Community Services, both of which require providers of relevant services to establish information review and inspection mechanism. In December, 2019, the CAC promulgated the Regulations on the Ecological Governance of Network Information Content, which provides that network information content service platforms should fulfill the main responsibility of content management and establish an ecological governance mechanism for network information, and improve their systems for user registration, account management, information publishing review, emergency response, and etc. In October, 2021, the CAC issued the Notice on Further Strengthening the Regulation on Online Information of Entertainment Celebrities, which requires internet platforms to, among others, monitor information posted by celebrities online so as to timely identify hot topics that could involve illegal or undesirable actions and to promptly report to the competent authorities in such event. As we implemented programs to comply with these regulations, we have experienced a decline in the number of subscribers and such number may continue to decline in the future. See “—Regulation and censorship of information disseminated over the internet in China have adversely affected our business and may continue to adversely affect our business, and we may be liable for the digital media content on our platform.”

We face uncertainties with respect to the promulgation, interpretation and implementation of Notice 78.

On November 12, 2020, the NRTA issued the Notice on Strengthening the Management of Online Show Live Streaming and E-commerce Live Streaming, or Notice 78. According to Notice 78, platforms providing online show live streaming or e-commerce live streaming services shall, among other things, register their information and business operations by November 30, 2020, ensure real-name registration for all live streaming hosts and virtual gifting users, prohibit users that are minors or without real-name registration from virtual gifting, and set a limit on the maximum amount of virtual gifting per time, per day, and per month.

There are currently no explicit provisions as to what limits on virtual gifting will be imposed by the NRTA pursuant to Notice 78 and it is unclear how and to what degree any such limits would be imposed on different platforms. Given there are no explicit provisions on how to set limits on virtual gifting, we are currently not able to assess the potential impact from this requirement under Notice 78 on the virtual gifting spending activities on our platform. Any such limits ultimately imposed may negatively impact our revenues derived from virtual gifting and our results of operations.

Notice 78 requests live streaming platforms for online shows and e-commerce to register with the National Internet Audio-Visual Platforms Information Management System. We are in the process of application for such registration for our live streaming business. Notice 78 also sets forth requirements for certain live streaming businesses

with respect to, among others, real-name registration, limits on user spending on virtual gifting, restrictions on minors on virtual gifting, live streaming review personnel requirements, and content tagging requirements. We have implemented a real-name registration system for all of our live streaming hosts and users. For more information on Notice 78, see “Item 4. Information on the Company—B. Business Overview—Regulation—Regulations on Online Live-streaming Services.”

Since some of the requirements in Notice 78 remain unclear and have no explicit provisions or implementation standards, we are still in the process of getting further guidance from regulatory authorities and evaluating the applicability and effect of the various requirements under Notice 78 on our business. Any further rulemaking under Notice 78 or other intensified regulation with respect to live streaming may increase our compliance burden in the live streaming business, and may have an adverse impact on our business and results of operations.

We may be adversely affected by PRC regulations to limit the methods that internet companies may apply when using algorithms, and the types of algorithms they may use.

Recently, the PRC government has taken steps to more closely regulate how internet companies use algorithms. For instance, the CAC, together with eight other governmental authorities, jointly issued the Guidelines on Strengthening the Comprehensive Regulation of Algorithms for Internet Information Services on September 17, 2021, which provides that daily monitoring of data use, application scenarios and effects of algorithms shall be carried out by the relevant regulators, and security assessments of algorithms shall be conducted by the relevant regulators. The guidelines also provide that an algorithm filing system shall be established, and classified security management of algorithms shall be promoted. In addition, the CAC, the MIIT, the Ministry of Public Security and the State Administration for Market Regulation jointly promulgated the Administrative Provisions on Algorithm Recommendation of Internet Information Services on December 31, 2021, effective on March 1, 2022, which provides that algorithms recommendation service providers are not allowed to use algorithms to register false user accounts, block information, give excessive recommendations, and that users should be given the option to easily turn off algorithm recommendation services.

To comply with the *Administrative Provisions on Algorithm Recommendation of Internet Information Services*, we may need to further adjust our business and operations. For instance, algorithm recommendation service providers are required to publicly disclose the basic principles, purposes, intentions, and relevant operating mechanisms of algorithm-related products. In response to this requirement, we have publicly disclosed the operation mechanism on our Xunlei App and provided an option for our users to turn off algorithm-driven recommendation services. However, the impact on our business operations is still substantially uncertain since this rule is relatively new and uncertainties still exist in relation to its interpretation.

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

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

Our financial statements are expressed in U.S. dollars, and most of our assets, costs and expenses are denominated in Renminbi. A majority of our revenues were denominated in Renminbi. Any significant appreciation or depreciation of the RMB may materially and adversely affect our revenues, earnings and financial positions, and the value of, and any dividends payable on, our ADSs in U.S. dollars. For example, to the extent that we need to convert U.S. dollars into RMB to pay our operating expenses, appreciation of the RMB against the U.S. dollar would have an adverse effect on the RMB amount we would receive from the conversion. Conversely, if we decide to convert our RMB into U.S. dollars for the purpose of making payments for dividends on our common shares or ADSs or for other business purposes, appreciation of the U.S. dollar against the RMB would have a negative effect on the U.S. dollar amount available to us. In addition, a significant appreciation or depreciation in the value of the RMB relative to U.S. dollars would significantly reduce the

U.S. dollar equivalent of our earnings regardless of any underlying change in our business or results of operations, which in turn could adversely affect the price of our ADSs.

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

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

The PRC government imposes controls on the convertibility of the Renminbi into foreign currencies and, in certain cases, the remittance of currency out of China. We receive a majority of our revenues in Renminbi. Under our current corporate structure, our Cayman Islands holding company primarily relies on dividend payments from our wholly owned PRC subsidiaries, to fund any cash and financing requirements we may have. Under existing PRC foreign exchange regulations, payments of current account items, including profit distributions, interest payments and trade and service-related foreign exchange transactions, can be made in foreign currencies without prior SAFE approval by complying with certain procedural requirements. However, approval from or registration with appropriate government authorities is required where the Renminbi is to be converted into foreign currency and remitted out of China to pay capital expenses such as the repayment of loans denominated in foreign currencies. Specifically, under the existing exchange restrictions, without prior approval of SAFE, cash generated from the operations of our PRC subsidiaries in China may be used to pay dividends by our PRC subsidiaries to our company and pay employees of our PRC subsidiaries who are located outside China in a currency other than the Renminbi. With prior approval from or registration with SAFE, cash generated from the operations of our PRC subsidiaries and affiliated entity may be used to pay off debt in a currency other than the Renminbi owed by our PRC subsidiaries and variable interest entity and its subsidiaries to entities outside China, and make other capital expenditures outside China in a currency other than the Renminbi. If any of the variable interest entity or its subsidiaries liquidates, the proceeds from the liquidation of its assets may be used outside of the PRC or be given to investors who are not PRC nationals. However, we may not be able to do so due to foreign exchange control imposed by the PRC government, which may at its discretion restrict access to foreign currencies for current account transactions in the future. If the foreign exchange control system prevents us from obtaining sufficient foreign currencies to satisfy our foreign currency demand, we may not be able to pay dividends in foreign currencies to our shareholders, including holders of our ADSs.

Certain regulations in the PRC may make it more difficult for us to pursue growth through acquisitions.

Among other things, the M&A Rules and certain regulations and rules concerning mergers and acquisitions established additional procedures and requirements that could make merger and acquisition activities by foreign investors more time-consuming and complex. For example, the M&A Rules require that the Ministry of Commerce be notified in advance of any change-of-control transaction in which a foreign investor takes control of a PRC domestic enterprise or a foreign company with substantial PRC operations, if certain thresholds under the Provisions on Thresholds for Prior Notification of Concentrations of Undertakings, issued by the State Council on August 3, 2008 and amended by the State Council on September 18, 2018, are triggered. Moreover, the Anti-Monopoly Law promulgated by the SCNPC on August 30, 2007 and took effect on August 1, 2008 requires that transactions which are deemed concentrations and involve parties with specified turnover thresholds (i.e., during the previous fiscal year, (i) the total global turnover of all operators participating in the transaction exceeds RMB10 billion and at least two of these operators each had a turnover of more than RMB400 million within China, or (ii) the total turnover within China of all the operators participating in the concentration exceeded RMB2 billion, and at least two of these operators each had a turnover of more than RMB400 million within China) must be cleared by the Ministry of Commerce before they can be completed. In addition, according to the Implementing Rules Concerning Security Review on the Mergers and Acquisitions by Foreign Investors of Domestic Enterprises issued by the Ministry of Commerce in August 2011, mergers and acquisitions by foreign investors involved in an industry related to national security are subject to strict review by the Ministry of Commerce. These rules also prohibit any transactions attempting to bypass such security review, including by controlling entities through contractual

arrangements. We believe that our business is not in an industry related to national security. However, we cannot preclude the possibility that the Ministry of Commerce or other government agencies may publish interpretations contrary to our understanding or broaden the scope of such security review in the future. Although we have no current definitive plans to make any acquisitions, we may elect to grow our business in the future in part by directly acquiring complementary businesses in China. Complying with the requirements of these regulations to complete such transactions could be time-consuming, and any required approval processes, including obtaining approval from the Ministry of Commerce, may delay or inhibit our ability to complete such transactions.

Any failure or perceived failure by us to comply with the anti-monopoly and anti-unfair competition laws and regulations may result in governmental investigations or enforcement actions, litigation or claims against us and could have an adverse effect on our business, financial condition and results of operations.

The PRC government has adopted a series of anti-monopoly and anti-unfair competition laws and regulations and has recently enhanced its enforcement of such laws and regulations. The PRC Anti-monopoly Law and the relevant implementing rules (i) require that where concentration of undertakings reaches the filing threshold stipulated by the State Council, a filing must be made with the anti-monopoly authority before the parties implement the concentration, (ii) prohibit a business operator with a dominant market position from abusing such position, such as by selling commodities at unfairly high prices or buying commodities at unfairly low prices, selling products at prices below cost without any justifiable cause, or refusing to trade with a trading party without any justifiable cause, and (iii) prohibit business operators from entering into monopoly agreements, which refer to agreements that eliminate or restrict competition with competing business operators or transaction counterparties, such as by boycotting transactions, fixing or changing the price of commodities, limiting the output of commodities or fixing the price of commodities for resale to third parties, unless the agreements satisfy certain exemptions under the PRC Anti-monopoly Law. Furthermore, in February 2021, the Anti-monopoly Commission of the State Council officially promulgated the Anti-Monopoly Guidelines for the Internet Platform Economy Sector, or the Anti-Monopoly Guidelines. The Anti-Monopoly Guidelines prohibit certain monopolistic acts of internet platforms so as to protect market competition and safeguard the interests of users and undertakings participating in the internet platform economy, including without limitation, prohibiting platforms with a dominant position from abusing their market dominance (such as discriminating against customers in terms of pricing and other transactional conditions using big data and analytics, coercing counterparties into exclusivity arrangements, using technology to block competitors' interfaces, favorable positioning in search results of goods displays, using bundle services to sell services or products, compulsory collection of unnecessary user data). In addition, the Anti-Monopoly Guidelines also reinforce antitrust merger review for internet platform related transactions to safeguard market competition. As the Anti-Monopoly Guidelines were newly promulgated, it is still uncertain how they will impact on our business, financial condition, results of operations and prospects.

According to the PRC Anti-unfair Competition Law, unfair competition, which refers to the production and operating activities where the operator disrupts the market competition order and damages the legitimate rights and interests of other operators or consumers in violation of the provisions of the PRC Anti-unfair Competition Law, shall be prohibited. Pursuant to the PRC Anti-unfair Competition Law, operators shall abide by the principle of voluntariness, equality, impartiality, integrity and adhere to laws and business ethics during market transactions. Operators in violation of the PRC Anti-unfair Competition Law may be subject to civil, administrative or criminal liabilities depending on the specific circumstances.

The PRC anti-monopoly enforcement agencies have strengthened enforcement under the PRC Anti-Monopoly Law in recent years. For example, on February 7, 2021, the Anti-Monopoly Commission of the State Council published Anti-Monopoly Guidelines for the Internet Platform Economy Sector that specified circumstances where an activity of an internet platform will be identified as monopolistic act as well as concentration filing procedures for business operators, including those involving variable interest entities. Also, in April 2021, the SAMR, the Cyberspace Administration of China and the State Taxation Administration, or the SAT, held an administrative guidance meeting for Internet platform enterprises. In addition, many platforms, including 34 enterprises which attended such administrative guidance meeting as representatives of Internet platform enterprises, are required to conduct a comprehensive self-inspection and make necessary rectification accordingly. Although we are not in the list of 34 enterprises, we have been actively conducting necessary self-inspection and rectifications in accordance with such guidance. We cannot guarantee you that we will be able to be in full compliance with all applicable rules and regulations at all times.

As a result of the regulators' focus on anti-monopoly and anti-unfair competition compliance and enhanced regulation of platform enterprises, our business practice and expansion strategy may be subject to heightened regulatory scrutiny. Any anti-monopoly or anti-unfair competition related lawsuit, regulatory investigations or administrative proceedings initiated against us could also result in constraints on our future investments and acquisitions. As a result, we may be subject to significant difficulties in pursuing our investment and acquisition strategy.

PRC regulations relating to the establishment of offshore SPVs by PRC residents may subject our PRC resident beneficial owners or our PRC subsidiaries to liability or penalties, limit our ability to inject capital into our PRC subsidiaries, limit our PRC subsidiaries' ability to increase their registered capital or distribute profits to us, or may otherwise adversely affect us.

SAFE has promulgated several regulations that require PRC residents and PRC corporate entities to register with local branches of SAFE in connection with their direct or indirect offshore investment activities. These regulations apply to our shareholders who are PRC residents and may apply to any offshore acquisitions that we make in the future. SAFE promulgated the Circular on Relevant Issues Concerning Foreign Exchange Control on Domestic Residents' Offshore Investment and Financing and Roundtrip Investment through Special Purpose Vehicles, or SAFE No. Circular No. 37, on July 4, 2014. SAFE Circular No. 37 requires PRC residents to register with local branches of SAFE in connection with their direct establishment or indirect control of an offshore entity, for the purpose of overseas investment and financing, with such PRC residents' legally owned assets or equity interests in domestic enterprises or offshore assets or interests, referred to in SAFE Circular No. 37 as a "special purpose vehicle." The term "control" under SAFE Circular No. 37 is broadly defined as the operation rights, beneficiary rights or decision-making rights acquired by the PRC residents in the offshore special purpose vehicles or PRC companies by such means as acquisition, trust, proxy, voting rights, repurchase, convertible bonds or other arrangements. SAFE Circular No. 37 further requires amendment to the registration in the event of any changes with respect to the basic information of the special purpose vehicle, such as changes in a PRC resident individual shareholder, name or operation period; or any significant changes with respect to the special purpose vehicle, such as increase or decrease of capital contributed by PRC individuals, share transfer or exchange, merger, division or other material event. If the shareholders of an offshore holding company who are PRC residents do not complete their registration with the local SAFE branches, the PRC subsidiaries of the offshore holding company may be prohibited from distributing their profits and proceeds from any reduction in capital, share transfer or liquidation to the offshore company, and the offshore company may be restricted in its ability to contribute additional capital to its PRC subsidiaries. Moreover, failure to comply with SAFE registration and amendment requirements described above could result in liability under PRC law for evasion of applicable foreign exchange restrictions. In addition, on February 13, 2015, SAFE issued SAFE Circular No. 13, which took effect on June 1, 2015. SAFE Circular No. 13 delegates to the qualified banks the authority to register all PRC residents' investment in "special purpose vehicle" pursuant to SAFE Circular No. 37, except that those PRC residents who have failed to comply with SAFE Circular No. 37 will continue to fall within the jurisdiction of the relevant local SAFE branches and must continue to make their supplementary registration applications with the such local SAFE branches.

We have requested PRC residents holding direct or indirect interest in our company to our knowledge to make the necessary applications, filings and amendments as required under SAFE regulations. Mr. Sean Shenglong Zou, Mr. Hao Cheng and Ms. Fang Wang have completed the initial registration with the local SAFE branch as required by the SAFE regulations. However, we cannot assure you that these shareholders have completed and will complete all subsequent amendment registrations as required by the SAFE regulations as we do not have control over these shareholders. We may also not be informed of the identities of all the PRC residents holding direct or indirect interest in our company, and we cannot provide any assurances that these PRC residents will comply with our request to make or obtain any applicable registrations or comply with other requirements required by SAFE regulations since we do not have control over these the PRC resident shareholders. The failure or inability of our PRC resident shareholders or our future PRC resident shareholders to make any required registrations or comply with other requirements under SAFE regulations may subject such PRC residents or our PRC subsidiaries to fines and legal sanctions and may also limit our ability to raise additional financing and contribute additional capital into or provide loans to (including using the proceeds from our initial public offering) our PRC subsidiaries, limit our PRC subsidiaries' ability to pay dividends or otherwise distribute profits to us, or otherwise adversely affect us.

Furthermore, because of the uncertainty over how the SAFE regulations will be interpreted and implemented, and how SAFE will apply them to us, we cannot predict how these regulations will affect our business operations or future strategies. For example, we may be subject to a more stringent review and approval process with respect to our foreign exchange activities, such as remittance of dividends and foreign-currency-denominated borrowings, which may adversely affect our financial condition and results of operations. In addition, if we decide to acquire a PRC domestic company, we cannot assure you that we or the owners of such company, as the case may be, will be able to obtain the necessary approvals or complete the necessary filings and registrations required by the foreign exchange regulations. This may restrict our ability to implement our acquisition strategy and could adversely affect our business and prospects.

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

In December 2006, the People's Bank of China promulgated the Administrative Measures of Foreign Exchange Matters for Individuals, which set forth the respective requirements for foreign exchange transactions by individuals (both PRC or non-PRC citizens) under either the current account or the capital account. On February 15, 2012, SAFE promulgated the Notices on Issues Concerning the Foreign Exchange Administration for Domestic Individuals Participating in Stock Incentive Plans of Overseas Publicly-Listed Companies, or the Stock Option Rules, which replaced the Application Procedures of Foreign Exchange Administration for Domestic Individuals Participating in Employee Stock Ownership Plans or Stock Option Plans of Overseas Publicly-Listed Companies issued by SAFE on March 28, 2007. Under the Stock Option Rules and other relevant rules and regulations, PRC residents who participate in stock incentive plan in an overseas publicly-listed company are required to register with SAFE or its local branches and complete certain other procedures. Participants of a stock incentive plan who are PRC residents must retain a qualified PRC agent, which could be a PRC subsidiary of such overseas publicly listed company or another qualified institution selected by such PRC subsidiary, to conduct the SAFE registration and other procedures with respect to the stock incentive plan on behalf of its participants. Such participants must also retain an overseas entrusted institution to handle matters in connection with their exercise of stock options, the purchase and sale of corresponding stocks or interests and fund transfers. In addition, the PRC agent is required to amend the SAFE registration with respect to the stock incentive plan if there is any material change to the stock incentive plan, the PRC agent or the overseas entrusted institution or other material changes. We and our PRC employees who have been granted stock options are subject to these regulations. Failure by us or our PRC stock option holders to comply with the SAFE regulations may subject us or these PRC residents to fines and legal sanctions and may also limit our ability to contribute additional capital into our PRC subsidiaries, limit our PRC subsidiaries' ability to distribute dividends to us, or otherwise materially adversely affect our business.

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

The State Administration of Taxation, or the SAT, has issued several rules and notices to tighten its scrutiny over acquisition transactions in recent years, including the Notice on Strengthening Administration of Enterprise Income Tax for Share Transfers by Non-PRC Resident Enterprises issued in December 2009, or SAT Circular 698, the Notice on Several Issues Regarding the Income Tax of Non-PRC Resident Enterprises issued in March 2011, or SAT Circular 24, and the Notice on Certain Corporate Income Tax Matters on Indirect Transfer of Properties by Non-PRC Resident Enterprises issued in February 2015, or SAT Circular 7. Pursuant to these rules and notices, if a non-PRC resident enterprise indirectly transfers PRC taxable properties, which refer to properties of an establishment or a place in the PRC, real estate properties in the PRC or equity investments in a PRC tax resident enterprise, by disposing of equity interest in an overseas non-public holding company without a reasonable commercial purpose and resulting in the avoidance of PRC enterprise income tax, such indirect transfer should be deemed a direct transfer of PRC taxable properties, and gains derived from such indirect transfer may be subject to the PRC withholding tax at a rate of up to 10%. SAT Circular 7 sets out several factors to be taken into consideration by tax authorities in determining whether an indirect transfer has a reasonable commercial purpose. An indirect transfer satisfying all the following criteria will be deemed to lack reasonable commercial purpose and be taxable under PRC law: (i) 75% or more of the equity value of the intermediary enterprise being transferred is derived directly or indirectly from the PRC taxable properties; (ii) at any time during the one-year period before the indirect transfer, 90% or more of the asset value of the intermediary enterprise (excluding cash) is comprised directly or indirectly of investments in the PRC, or 90% or more of its income is derived directly or indirectly from the PRC; (iii) the functions performed and risks assumed by the intermediary enterprise and any of its subsidiaries that directly or indirectly hold the PRC taxable properties are limited and are insufficient to prove their economic substance; and (iv) the foreign tax payable on the gain derived from the indirect transfer of the PRC taxable properties is lower than the potential PRC enterprise income tax on the direct transfer of such assets. Nevertheless, the indirect transfer falling into the safe harbor available under SAT Circular 7 may not be subject to PRC tax and the scope of the safe harbor includes qualified group restructuring, public market trading and tax treaty exemptions. On October 17, 2017, the SAT issued the Public Notice on Issues Concerning the Withholding of Non-resident Enterprise Income Tax at Source, or SAT Public Notice 37, which took effect on December 1, 2017. SAT Public Notice 37 replaced a series of important circulars, including but not limited to SAT Circular 698 and amended the rules governing the administration of withholding tax on China-source income derived by the non-resident enterprise. SAT Public Notice 37 also introduced certain key changes to the current withholding regime, such as (i) non-resident enterprise's withholding obligation for dividend was changed to arise on the date the payment is actually made as opposed to dividend declaration date; and (ii) non-resident enterprise's obligation to self-report tax within seven days upon withholding agent's failure to withhold was removed.

Under SAT Circular 7 and SAT Public Notice 37, the entities or individuals obligated to pay the transfer price to the transferor are the withholding agents and must withhold the PRC enterprise income tax from the transfer price. If the withholding agent fails to do so, the transferor should report to and pay the PRC enterprise income tax to the PRC tax authorities. In the event that neither the withholding agent nor the transferor fulfills their obligations under SAT Circular 7 and SAT Public Notice 37, apart from imposing penalties such as late payment interest on the transferor, the tax authority may also hold the withholding agent liable and impose a penalty of 50% to 300% of the unpaid tax on the withholding agent. The penalty imposed on the withholding agent may be reduced or waived if the withholding agent has submitted the relevant materials in connection with the indirect transfer to the PRC tax authorities in accordance with SAT Circular 7.

However, there is a lack of clear statutory interpretation of these rules and notices, we face uncertainties on the reporting and consequences on future private equity financing transactions, share exchange or other transactions involving the transfer of shares in our company by investors that are non-PRC resident enterprises, or sale or purchase of shares in other non-PRC resident companies or other taxable assets by us. Our Cayman Islands holding company and other non-resident enterprises in our company may be subject to filing obligations or may be taxed if our Cayman Islands holding company and other non-resident enterprises in our company are transferors in such transactions, and may be subject to withholding obligations if our Cayman Islands holding company and other non-resident enterprises in our company are transferees in such transactions. For the transfer of shares in our Cayman Islands holding company by investors that are non-PRC resident enterprises, our PRC subsidiaries may be requested to assist in the filing under the rules and notices. As a result, we may be required to expend valuable resources to comply with these rules and notices or to request the relevant transferors from whom we purchase taxable assets to comply, or to establish that our Cayman Islands holding company and other non-resident enterprises in our company should not be taxed under these rules and notices, which may have a material adverse effect on our financial condition and results of operations. There is no assurance that the tax authorities will not apply the rules and notices to our offshore restructuring transactions where non-PRC resident investors were involved if any of such transactions were determined by the tax authorities to lack reasonable commercial purpose. As a result, we and our non-PRC resident investors may be at risk of being taxed under these rules and notices and may be required to comply with or to establish that we should not be taxed under such rules, which may have a material adverse effect on our financial condition and results of operations or such non-PRC resident investors' investments in us. We have conducted acquisition transactions in the past and may conduct additional acquisition transactions in the future. We cannot assure you that the PRC tax authorities will not, at their discretion, adjust any capital gains and impose tax return filing obligations on us or require us to provide assistance for the investigation of PRC tax authorities with respect thereto. Heightened scrutiny over acquisition transactions by the PRC tax authorities may have a negative impact on potential acquisitions we may pursue in the future.

Discontinuation or reduction of any of the preferential tax treatments or other government incentives available to us in the PRC, or imposition of any additional PRC taxes could adversely affect our financial condition and results of operations.

Under the PRC Enterprise Income Tax Law, or the EIT Law, the statutory enterprise income tax rate is 25%. Under certain circumstances, preferential tax rates may be applied if an enterprise meets the corresponding standards and qualifications and completes certain procedures. See “Item 5. Operating and Financial Overview and Prospects—A. Operating Results—Taxation” for details of tax benefits applicable to us. Preferential tax treatment and other government incentives granted to the variable interest entity and subsidiaries are subject to review and may be adjusted or revoked at any time. The discontinuation or reduction of any preferential tax treatment currently available to us and our wholly owned PRC subsidiaries will cause our effective tax rate to increase, which could have a material adverse effect on our financial condition and results of operations. We cannot assure you that we will be able to maintain our current effective tax rate in the future.

Our global income may be subject to PRC taxes under the PRC EIT Law, which may have a material adverse effect on our results of operations.

Under the EIT Law and its implementation rules, an enterprise established outside of the PRC with a “de facto management body” within the PRC is considered a resident enterprise and will be subject to the enterprise income tax at the rate of 25% on its global income. The implementation rules define the term “de facto management bodies” as “establishments that carry out substantial and overall management and control over the manufacturing and business operations, personnel, accounting, properties, etc. of an enterprise.” On April 22, 2009, the SAT issued a circular, or SAT Circular 82, which provides certain specific criteria for determining whether the “de facto management body” of a PRC-controlled enterprise that is incorporated offshore is located in China. See “Item 4. Information on the Company—B. Business Overview—Regulation—Regulation on Tax—PRC enterprise income tax.” Although SAT Circular 82 applies only to offshore enterprises controlled by PRC enterprises or PRC enterprise groups and not to those controlled by PRC individuals or foreigners, the determining criteria set forth in the SAT Circular 82 may reflect the SAT’s general position on how the “de facto management body” test should be applied in determining the tax resident status of all offshore enterprises.

According to SAT Circular 82, an offshore incorporated enterprise controlled by a PRC enterprise or a PRC enterprise group will be regarded as a PRC tax resident by virtue of having its “de facto management body” in China and will be subject to PRC enterprise income tax on its worldwide income only if all of the following conditions set forth in the SAT Circular 82 are met: (i) the primary location of the day-to-day operational management is in the PRC; (ii) decisions relating to the enterprise’s financial and human resource matters are made or are subject to approval by organizations or personnel in the PRC; (iii) the enterprise’s primary assets, accounting books and records, company seals, and board and shareholder resolutions are located or maintained in the PRC; and (iv) at least 50% of voting board members or senior executives habitually reside in the PRC.

Xunlei Limited is not controlled by a PRC enterprise or PRC enterprise group and we do not believe that Xunlei Limited meets all of the conditions above. Xunlei Limited is a company incorporated outside the PRC. As a holding company, certain of Xunlei Limited’s key assets, including a significant amount of cash, are located, and records (including the resolutions of its board of directors and the resolutions of its shareholders) are maintained, outside the PRC. Therefore, we do not believe Xunlei Limited should be treated as a “resident enterprise” for PRC tax purposes if the criteria for “de facto management body” as set forth in the relevant SAT Circular 82 were deemed applicable to us. However, as the tax resident status of an enterprise is subject to determination by the PRC tax authorities and uncertainties remain with respect to the interpretation of the term “de facto management body” as applicable to Xunlei Limited, we may be considered a resident enterprise and may therefore be subject to the enterprise income tax at 25% on our global income. If we are considered a resident enterprise and earn income other than dividends from our PRC subsidiaries, a 25% enterprise income tax on our global income could increase our tax burden and adversely affect our cash flow and profitability. In addition to the uncertainty regarding how the new “resident enterprise” classification may apply, it is also possible that the rules may change in the future, possibly with retroactive effect.

Dividends paid by us to our foreign investors and gains on the sale of our ADSs or common shares by our foreign investors may be subject to taxes under PRC tax laws.

Under the EIT Law and its implementation regulations issued by the State Council, a 10% PRC withholding tax is applicable to dividends paid to investors that are “non-resident enterprises,” which do not have an establishment or place of business in the PRC or which have such establishment or place of business but the dividends are not effectively connected with such establishment or place of business, to the extent such dividends are derived from sources within the PRC. Any gain realized on the transfer of ADSs or common shares by such investors is subject to PRC tax, at a rate of 10% unless otherwise reduced or exempted by relevant tax treaties, if such gain is regarded as income derived from sources within the PRC. If we are deemed a “PRC resident enterprise,” dividends paid on our common shares or ADSs, and any gain realized from the transfer of our common shares or ADSs, may be treated as income derived from sources within the PRC and may as a result be subject to PRC taxation (which in the case of dividends would be withheld at source). It is unclear whether our non-PRC individual investors would be subject to any PRC tax in the event we are deemed a “PRC resident enterprise.” If any PRC tax were to apply to such dividends or gains of non-PRC individual investors, it would generally apply at a rate of 20% (unless a reduced rate is available under an applicable tax treaty). It is also unclear whether, if we are considered a PRC “resident enterprise,” holders of our ADSs or common shares would be able to claim the benefit of income tax treaties or agreements entered into between China and other countries or areas (and we do not expect to withhold at treaty rates if any withholding is required). If dividends payable to our non-PRC investors, or gains from the transfer of our common shares or ADSs by such investors are subject to PRC tax, the value of your investment in our common shares or ADSs may be adversely affected.

Increases in labor costs and enforcement of stricter labor laws and regulations in the PRC may adversely affect our business and our profitability.

China’s overall economy and the average wage in China have increased in recent years and are expected to continue to grow. The average wage level for our employees has also increased in recent years. We expect that our labor costs, including wages and employee benefits, will continue to increase. Unless we are able to pass on these increased labor costs to our users by increasing prices for our products or services, our profitability and results of operations may be materially and adversely affected.

In addition, we have been subject to stricter regulatory requirements in terms of entering labor contracts with our employees and paying various statutory employee benefits, including pensions, housing fund, medical insurance, work-related injury insurance, unemployment insurance and childbearing insurance to designated government agencies for the benefit of our employees. Pursuant to the PRC Labor Contract Law, or the Labor Contract law, that became effective in January 2008, as amended on December 28, 2012 and effective as of July 1, 2013, and its implementation rules that became effective in September 2008, employers are subject to stricter requirements in terms of signing labor contracts, minimum wages, paying remuneration, determining the term of employees' probation and unilaterally terminating labor contracts. In the event that we decide to terminate some of our employees or otherwise change our employment or labor practices, the Labor Contract Law and its implementation rules may limit our ability to effect those changes in a desirable or cost-effective manner, which could adversely affect our business and results of operations. On October 28, 2010, the SCNPC promulgated the PRC Social Insurance Law, or the Social Insurance Law, which became effective on July 1, 2011. According to the Social Insurance Law, employees must participate in pension insurance, work-related injury insurance, medical insurance, unemployment insurance and maternity insurance and the employers must, together with their employees or separately, pay the social insurance premiums for such employees.

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

The PCAOB is currently unable to inspect our auditor in relation to their audit work performed for our financial statements and the inability of the PCAOB to conduct inspections over our auditor deprives our investors with the benefits of such inspections.

Our auditor, the independent registered public accounting firm that issues the audit report included elsewhere in this annual report, as an auditor of companies that are traded publicly in the United States and a firm registered with the Public Company Accounting Oversight Board (United States), or 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. Since our auditor is located in China, a jurisdiction where the PCAOB has been unable to conduct inspections without the approval of the Chinese authorities, our auditor is not currently inspected by the PCAOB. As a result, we and investors in our ADSs are 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 our independent registered public accounting firm's audit procedures or quality control procedures as compared to auditors outside of China that are subject to the PCAOB inspections, which could cause investors and potential investors in our ADSs to lose confidence in our audit procedures and reported financial information and the quality of our financial statements.

Our ADSs will be prohibited from trading in the United States under the Holding Foreign Companies Accountable Act, or the HFCAA, in 2024 if the PCAOB is unable to inspect or fully investigate auditors located in China, or in 2023 if proposed changes to the law are enacted. The delisting of our ADSs, or the threat of their being delisted, may materially and adversely affect the value of your investment.

The Holding Foreign Companies Accountable Act, or the HFCAA, was signed into law on December 18, 2020. The HFCAA states if the SEC determines that we have filed audit reports issued by a registered public accounting firm that has not been subject to inspection for the PCAOB for three consecutive years beginning in 2021, the SEC shall prohibit our shares or ADSs from being traded on a national securities exchange or in the over-the-counter trading market in the United States. On December 2, 2021, the SEC adopted final amendments implementing the disclosure and submission requirements of the HFCAA, pursuant to which the SEC will identify an issuer as a "Commission Identified Issuer" if the issuer has filed an annual report containing an audit report issued by a registered public accounting firm that the PCAOB has determined it is unable to inspect or investigate completely, and will then impose a trading prohibition on an issuer after it is identified as a Commission-Identified Issuer for three consecutive years. On December 16, 2021, the PCAOB issued a report to notify the SEC of its determination that the PCAOB is unable to inspect or investigate completely registered public accounting firms headquartered in mainland China and Hong Kong. The PCAOB identified our auditor

as one of the registered public accounting firms that the PCAOB is unable to inspect or investigate completely. Therefore, we expect to be identified as a “Commission Identified Issuer” shortly after the filing of this annual report on Form 20-F.

Whether the PCAOB will be able to conduct inspections of our auditor before the issuance of our financial statements on Form 20-F for the year ending December 31, 2023 which is due by April 30, 2024, or at all, is subject to substantial uncertainty and depends on a number of factors out of our, and our auditor’s control. If our shares and ADSs are prohibited from trading in the United States, there is no certainty that we will be able to list on a non-U.S. exchange or that a market for our shares will develop outside of the United States. Such a prohibition would substantially impair your ability to sell or purchase our ADSs when you wish to do so, and the risk and uncertainty associated with delisting would have a negative impact on the price of our ADSs. Also, such a prohibition would significantly affect our ability to raise capital on terms acceptable to us, or at all, which would have a material adverse impact on our business, financial condition, and prospects.

On June 22, 2021, the U.S. Senate passed a bill which would reduce the number of consecutive non-inspection years required for triggering the prohibitions under the HFCAA from three years to two. On February 4, 2022, the U.S. House of Representatives passed a bill which contained, among other things, an identical provision. If this provision is enacted into law and the number of consecutive non-inspection years required for triggering the prohibitions under the HFCAA is reduced from three years to two, then our shares and ADSs could be prohibited from trading in the United States in 2023.

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

The Regulations on Mergers and Acquisitions of Domestic Enterprises by Foreign Investors, or the M&A Rules, adopted by six PRC regulatory agencies in 2006 and amended in 2009, requires an overseas special purpose vehicle formed for listing purposes through acquisitions of PRC domestic companies and controlled by PRC persons or entities to obtain the approval of the CSRC prior to the listing and trading of such special purpose vehicle’s securities on an overseas stock exchange. The interpretation and application of the regulations remain unclear, and our future offshore offerings (if any) may ultimately require approval of the CSRC. If the CSRC approval is required, it is uncertain whether we can or how long it will take us to obtain the approval and, even if we obtain such CSRC approval, the approval could be rescinded. Any failure to obtain or delay in obtaining the CSRC approval for any of our future offshore offerings (if any), or a rescission of such approval if obtained by us, would subject us to sanctions imposed by the CSRC or other PRC regulatory authorities, which could include fines and penalties on our operations in China, restrictions or limitations on our ability to pay dividends outside of China, and other forms of sanctions that may materially and adversely affect our business, financial condition, and results of operations.

On July 6, 2021, the relevant PRC government authorities issued Opinions on Strictly Cracking Down Illegal Securities Activities in Accordance with the Law. These opinions emphasized the need to strengthen the administration over illegal securities activities and the supervision on overseas listings by China-based companies and proposed to take effective measures, such as promoting the construction of relevant regulatory systems to deal with the risks and incidents faced by China-based overseas-listed companies. As a follow-up, on December 24, 2021, the State Council issued a draft of the Provisions of the State Council on the Administration of Overseas Securities Offering and Listing by Domestic Companies, and the CSRC issued a draft Administration Measures for the Filing of Overseas Securities Offerings and Listings by Domestic Companies, for public comments. These draft measures propose to establish a new filing-based regime to regulate overseas offerings and listings by domestic companies. Specifically, an overseas offering and listing by a PRC company, whether directly or indirectly, an initial or follow-on offering, must be filed with the CSRC. The examination and determination of an indirect offering and listing will be conducted on a substance-over-form basis, and an offering and listing shall be deemed to be a PRC company’s indirect overseas offering and listing if the issuer meets the following conditions: (i) any of the operating income, gross profit, total assets, or net assets of the PRC enterprise in the most recent fiscal year was more than 50% of the relevant line item in the issuer’s audited consolidated financial statement for that year; and (ii) senior management personnel responsible for business operations and management are mostly PRC citizens or are ordinarily resident in the PRC, and the principal place of business is in the PRC or carried out in the PRC. The issuer or its affiliated PRC entity, as the case may be, shall file with the CSRC for its initial public offering,

follow-on offering and other equivalent offering activities. Particularly, the issuer shall submit the filing with respect to its initial public offering and listing within three business days after its initial filing of the listing application, and submit the filing with respect to its follow-on offering within three business days after the completion of the follow-on offering. Failure to comply with the filing requirements may result in fines to the relevant PRC companies, suspension of their businesses, revocation of their business licenses and operation permits and fines on the controlling shareholder and other responsible persons. These draft measures also set forth certain regulatory red lines for overseas offerings and listings by PRC enterprises.

There are substantial uncertainties as to whether these draft measures to regulate direct or indirect overseas offerings and listings will be further amended, revised or updated, their enactment timetable and final content. As the CSRC may formulate and publish guidelines for filings in the future, these draft measures do not provide for detailed requirements of the substance and form of the filing documents. In a Q&A released on CSRC's official website on December 24, 2021, the respondent CSRC official indicated that the proposed new filing requirement will start with new issuers and listed companies seeking follow-on financings and other financing activities. As for the filings for other listed companies, the regulator will grant an adequate transition period and apply separate arrangements. The Q&A also pointed out that, if compliant with relevant PRC laws and regulations, companies with compliant VIE structures may seek overseas listing after completion of the CSRC filing. Nevertheless, the Q&A did not specify what would qualify as a "compliant VIE structure" and what relevant PRC laws and regulations are required to be complied with. Given the substantial uncertainties surrounding the latest CSRC filing requirements at this stage, we cannot assure you that, if ever required, we would be able to complete the filings and fully comply with the relevant new rules on a timely basis, if at all.

On December 27, 2021, the NDRC and the Ministry of Commerce jointly issued the Special Administrative Measures (Negative List) for Foreign Investment Access (2021 Version), or the 2021 Negative List, which became effective on January 1, 2022. Pursuant to the Special Administrative Measures, if a PRC company engaging in a prohibited business stipulated in the 2021 Negative List seeks an overseas offering and listing, it shall obtain the approval from the competent governmental authorities. In addition, the foreign investors of the issuer shall not be involved in the company's operation and management, and their shareholding percentages shall be subject, *mutatis mutandis*, to the relevant regulations on domestic securities investments by foreign investors. As the 2021 Negative List is relatively new, there remain substantial uncertainties as to the interpretation and implementation of these new requirements, and it is unclear as to whether and to what extent listed companies like us will be subject to these new requirements. If we are required to comply with these requirements and fail to do so on a timely basis, if at all, our business operations, financial condition and business prospect may be adversely and materially affected.

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

Risks Related to Our ADSs

The market price for our ADSs may be volatile.

The trading prices of our ADSs are likely to be volatile and could fluctuate widely due to factors beyond our control. This may happen because of broad market and industry factors, like the performance and fluctuation in the market prices or the underperformance or deteriorating financial results of other similarly situated companies in China that have listed their securities in the United States in recent years. The securities of some of these companies have experienced significant volatility since their initial public offerings, including, in some cases, substantial price declines in the trading prices of their securities. The trading performances of these Chinese companies' securities after their offerings, including companies in the internet businesses, may affect the attitudes of investors toward Chinese companies listed in the United States, which consequently may impact the trading performance of our ADSs, regardless of our actual operating performance. In addition, any negative news or perceptions about inadequate corporate governance practices or fraudulent accounting or other practices at other Chinese companies may also negatively affect the attitudes of investors towards Chinese companies in general, including us, regardless of whether we have engaged in such practices. In addition, securities markets may from time to time experience significant price and volume fluctuations that are not related to our operating performance, which may have a material adverse effect on the market price of our ADSs.

The market price for our ADSs is likely to be highly volatile and subject to wide fluctuations in response to factors including the following:

- regulatory developments affecting us, our advertisers or our industry;
- announcements of studies and reports relating to our services or those of our competitors;
- changes in the economic performance or market valuations of other internet companies in China;
- actual or anticipated fluctuations in our quarterly results of operations and changes of our expected results;
- changes in financial estimates by securities research analysts;
- conditions in the internet or online advertising industry in China;
- announcements by us or our competitors of new services, acquisitions, strategic relationships, joint ventures or capital commitments;
- additions to or departures of our senior management;
- fluctuations of exchange rates between the Renminbi and the U.S. dollar;
- release or expiry of lock-up or other transfer restrictions on our outstanding shares or ADSs; and
- sales or perceived potential sales of additional shares or ADSs.

In addition, the securities market has from time to time experienced significant price and volume fluctuations that are not related to the operating performance of any particular companies. These market fluctuations may also have a material adverse effect on the market price of our ADSs.

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

The trading market for our ADSs will be influenced by research or reports that industry or securities analysts publish about our business. If one or more analysts who cover us downgrade our ADSs, the market price for our ADSs would likely decline. If one or more of these analysts cease to cover us or fail to regularly publish reports on us, we could

lose visibility in the financial markets, which, in turn, could cause the market price or trading volume for our ADSs to decline.

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

We currently intend to retain most, if not all, of our available funds and any future earnings to fund the development and growth of our business. Subject to our ongoing financial performance, cash position, budget and business plan and market conditions, we may consider paying special dividends. However, we do not plan to pay dividends in the foreseeable future and you should not rely on an investment in our ADSs as a source for any future dividend income.

Our board of directors has discretion as to whether to distribute dividends, subject to applicable laws. In addition, our shareholders may by ordinary resolution declare dividends, but no dividend may exceed the amount recommended by our board of directors. Under Cayman Islands law, a Cayman Islands company may pay a dividend out of either profit or share premium account, provided that in no circumstances may a dividend be paid if this would result in the company being unable to pay its debts as they fall due in the ordinary course of business. Even if our board of directors decides to declare and pay dividends, the timing, amount and form of future dividends, if any, will depend on, among other things, our future results of operations and cash flow, our capital requirements and surplus, the amount of distributions, if any, received by us from our subsidiaries, our financial condition, contractual restrictions and other factors deemed relevant by our board of directors. Accordingly, the return on your investment in our ADSs will likely depend entirely upon any future price appreciation of our ADSs. There is no guarantee that our ADSs will appreciate in value or even maintain the price at which you purchased the ADSs. You may not realize a return on your investment in our ADSs and you may even lose your entire investment in our ADSs.

Substantial future sales or perceived potential sales of our ADSs in the public market could cause the price of our ADSs to decline.

Sales of our ADSs in the public market, or the perception that these sales could occur, could cause the market price of our ADSs to decline. As of March 31, 2022, we had 337,427,946 common shares outstanding, which excludes (i) 10,889,429 common shares held by Leading Advice Holdings Limited, a share incentive awards holding platform, and (ii) 20,559,830 common shares, consisting of shares issued to our depository bank for bulk issuance of ADSs reserved for future issuances upon the exercise or vesting of awards granted under our share incentive plans and shares repurchased by us but not yet cancelled. All our outstanding common shares represented by ADSs were freely transferable by persons other than our “affiliates” without restriction or additional registration under the Securities Act of 1933, as amended, or Securities Act. The remaining common shares will be available for sale subject to volume and other restrictions as applicable under Rules 144 and 701 under the Securities Act. Certain holders of our common shares have the right to cause us to register under the Securities Act the sale of their shares. Registration of these shares under the Securities Act would result in ADSs representing these shares becoming freely tradable without restriction under the Securities Act immediately upon the effectiveness of the registration. Sales of these registered shares in the form of ADSs, in the public market could cause the price of our ADSs to decline.

Your right to participate in any future rights offerings may be limited, which may cause dilution to your holdings, and you may not receive cash dividends if it is impractical to make them available to you.

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

The depositary of our ADSs has agreed to pay to you the cash dividends or other distributions it or the custodian receives on our common shares or other deposited securities after deducting its fees and expenses. You will receive these distributions in proportion to the number of common shares your ADSs represent. However, the depositary may, at its discretion, decide that it is inequitable or impractical to make a distribution available to any holders of ADSs. For example, the depositary may determine that it is not practicable to distribute certain property through the mail, or that the value of certain distributions may be less than the cost of mailing them. In these cases, the depositary may decide not to distribute such property to you.

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

Your ADSs are transferable on the books of the depositary. However, the depositary may close its transfer books at any time or from time to time when it deems expedient in connection with the performance of its duties. In addition, the depositary may refuse to deliver, transfer or register transfers of ADSs generally when our books or the books of the depositary are closed, or at any time if we or the depositary deems it advisable to do so because of any requirement of law or of any government or governmental body, or under any provision of the deposit agreement, or for any other reason.

The voting rights of holders of ADSs are limited by the terms of the deposit agreement, and you may not be able to exercise your right to direct how the common shares which are represented by your ADSs are voted.

Holders of ADSs do not have the same rights as our registered shareholders. As a holder of the ADSs, you will not have any direct right to attend general meetings of our shareholders or to cast any votes at such meetings. You will only be able to exercise the voting rights which are carried by the underlying common shares represented by your ADSs indirectly by giving voting instructions to the depositary in accordance with the provisions of the deposit agreement. Under the deposit agreement, you may vote only by giving voting instructions to the depositary. If we instruct the depositary to ask for your instructions, then upon receipt of your voting instructions, the depositary will try, as far as is practicable, to vote the underlying common shares which are represented by your ADSs in accordance with your instructions. If we do not instruct the depositary to ask for your instructions, the depositary may still vote in accordance with instructions you give under specific circumstances when it is not required to do so. You will not be able to directly exercise your right to vote with respect to the underlying common shares represented by your ADSs unless you convert your ADSs into the underlying common shares and become the registered holder of such common shares prior to the record date for the general meeting. When a general meeting is convened, you may not receive sufficient advance notice of the meeting to withdraw the underlying common shares represented by your ADSs and become the registered holder of such common shares to allow you to attend the general meeting and to vote directly with respect to any specific matter or resolution to be considered and voted upon at the general meeting. In addition, under our memorandum and articles of association, for the purposes of determining those shareholders who are entitled to attend and vote at any general meeting, our directors may close our register of members and/or fix in advance a record date for such meeting, and such closure of our register of members or the setting of such a record date may prevent you from withdrawing the common shares underlying your ADSs and becoming the registered holder of such shares prior to the record date, so that you would not be able to attend the general meeting or to vote directly. If we ask for your instructions, the depositary will, at the sole discretion of the depositary and as soon as practicable, notify you of the upcoming vote and will arrange to deliver our voting materials to you. We have agreed to give the depositary at least 30 days' prior notice of shareholder meetings. Nevertheless, we cannot assure you that you will receive the voting materials in time to ensure that you can instruct the depositary to vote the underlying common shares represented by your ADSs.

You may face difficulties in protecting your interests, and your ability to protect your rights through the U.S. federal courts may be limited because we are incorporated under Cayman Islands law, we conduct almost all of our operations in China and substantially all of our directors and officers reside outside the United States.

We are incorporated in the Cayman Islands and conduct almost all of our operations in China through our PRC subsidiaries and variable interest entity and its subsidiaries. Substantially all of our directors and officers reside outside the United States. As a result, it may be difficult or impossible for you to bring an action against us or against these individuals in the Cayman Islands or in the United States in the event that you believe that your rights have been infringed under the U.S. securities laws or otherwise. Even if you are successful in bringing an action of this kind, the laws of the Cayman Islands and of China may render you unable to enforce a judgment against our assets or the assets of our directors and officers.

There is uncertainty as to whether Cayman Islands courts or PRC courts would:

- recognize or enforce judgments of courts of the United States obtained against us based on certain civil liability provisions of U.S. securities laws; or
- entertain original actions brought in the Cayman Islands or the PRC against us, based on certain civil liability provisions of U.S. securities laws.

Although there is no statutory enforcement in the Cayman Islands of judgments obtained in the federal or state courts of the United States, (and the Cayman Islands are not a party to any treaties for the reciprocal enforcement or recognition of such judgments), the courts of the Cayman Islands will, at common law, recognize and enforce a foreign money judgment of a foreign court of competent jurisdiction without any reexamination of the merits of the underlying dispute based on the principle that a judgment of a competent foreign court imposes upon the judgment debtor an obligation to pay the liquidated sum for which such judgment has been given, provided such judgment (i) is final and conclusive, (ii) is not in respect of taxes, a fine or a penalty; and (iii) was not obtained in a manner and is not of a kind the enforcement of which is contrary to natural justice or the public policy of the Cayman Islands. However, the Cayman Islands courts are unlikely to enforce a judgment obtained from the U.S. courts under civil liability provisions of the U.S. federal securities law if such judgment is determined by the courts of the Cayman Islands to give rise to obligations to make payments that are penal or punitive in nature. A Cayman Islands court may stay enforcement proceedings if concurrent proceedings are being brought elsewhere.

The recognition and enforcement of foreign judgments are provided for under the PRC Civil Procedures Law. PRC courts may recognize and enforce foreign judgments in accordance with the requirements of the PRC Civil Procedures Law based either on treaties between China and the country where the judgment is made or on principles of reciprocity between jurisdictions. China does not have any treaties with the United States or the Cayman Islands that provide for the enforcement of foreign judgments and PRC courts strictly adopt the principle of reciprocity in judicial practice. In addition, according to the PRC Civil Procedures Law, courts in the PRC will not enforce a foreign judgment against us or our directors and officers if they decide that the judgment violates the basic principles of PRC law or national sovereignty, security, or public interest. As a result, it is uncertain whether and on what basis a PRC court would enforce a judgment rendered by a court in the United States or in the Cayman Islands.

Our corporate affairs are governed by our memorandum and articles of association, as amended and restated from time to time, and by the Companies Act (As Revised) and common law of the Cayman Islands. The rights of shareholders to take legal action against us and our directors, actions by minority shareholders and the fiduciary duties of our directors to us under Cayman Islands law are to a large extent governed by the common law of the Cayman Islands. The common law of the Cayman Islands is derived in part from comparatively limited judicial precedent in the Cayman Islands as well as from English common law, which provides persuasive, but not binding, authority in a court in the Cayman Islands. The rights of our shareholders and the fiduciary duties of our directors under Cayman Islands law are not as clearly established as they would be under statutes or judicial precedents in the United States. In particular, the Cayman Islands has a less developed body of securities laws than the United States and provides significantly less protection to investors. In addition, shareholders in Cayman Islands companies may not have standing to initiate a shareholder derivative action in U.S. federal courts.

It is also difficult or impossible for you to bring an action against us or against our directors and officers in China. Under the PRC Civil Procedures Law, foreign shareholders may bring an action based on PRC law against a company in China for disputes if they can establish sufficient nexus to the PRC for a PRC court to have jurisdiction, and meet other procedural requirements, including, among others, the plaintiff must have a direct interest in the case, and there must be a concrete claim, a factual basis and a cause for the suit. It will be, however, difficult for U.S. shareholders to bring actions against us in the PRC in accordance with PRC laws because we are incorporated under the laws of the Cayman Islands and it will be difficult for U.S. shareholders, by virtue only of holding the ADSs or ordinary shares, to establish a connection to the PRC for a PRC court to have jurisdiction as required under the PRC Civil Procedures Law.

As a result, our public shareholders may have more difficulties in protecting their interests through actions against us, our management, our directors or our controlling shareholders than would shareholders of a corporation incorporated in a jurisdiction in the United States.

Since we are a Cayman Islands exempted company, the rights of our shareholders may be more limited than those of shareholders of a company organized in the United States.

Under the laws of some jurisdictions in the United States, majority and controlling shareholders generally have certain fiduciary responsibilities to the minority shareholders. Shareholder action must be taken in good faith, and actions by controlling shareholders which are obviously unreasonable may be declared null and void. Cayman Islands law protecting the interests of minority shareholders may not be as protective in all circumstances as the law protecting minority shareholders in some U.S. jurisdictions. In addition, the circumstances in which a shareholder of a Cayman Islands company may sue the company derivatively, and the procedures and defenses that may be available to the company, may result in the rights of shareholders of a Cayman Islands company being more limited than those of shareholders of a company organized in the United States.

Furthermore, our directors have the power to take certain actions without shareholder approval which would require shareholder approval under the laws of most U.S. jurisdictions. The directors of a Cayman Islands company, without shareholder approval, may implement a sale of any assets, property, part of the business, or securities of the company. Our ability to create and issue new classes or series of shares without shareholders' approval could have the effect of delaying, deterring or preventing a change in control without any further action by our shareholders, including a tender offer to purchase our ordinary shares at a premium over then current market prices.

Our memorandum and articles of association contains anti-takeover provisions that could adversely affect the rights of holders of our common shares and ADSs.

Our currently effective memorandum and articles of association contains certain provisions that could limit the ability of others to acquire control of our company, including a provision that grants authority to our board directors to establish from time to time one or more series of preferred shares without action by our shareholders. The provisions could have the effect of depriving our shareholders of the opportunity to sell their shares at a premium over the prevailing market price by discouraging third parties from seeking to obtain control of our company in a tender offer or similar transactions.

Our corporate actions are substantially controlled by our directors, executive officers and other principal shareholders, who can exert significant influence over important corporate matters, which may reduce the price of our ADSs and deprive you of an opportunity to receive a premium for your shares.

As of March 31, 2022, our directors, executive officers and existing principal shareholders beneficially owned approximately 47.5% of our outstanding common shares. These shareholders, if acting together, could exert substantial influence over matters such as electing directors and approving material mergers, acquisitions or other business combination transactions. This concentration of ownership may also discourage, delay or prevent a change in control of our company, which could have the dual effect of depriving our shareholders of an opportunity to receive a premium for their shares as part of a sale of our company and reducing the price of our ADSs. These actions may be taken even if they are opposed by our other shareholders. In addition, these persons could divert business opportunities away from us to themselves or others.

We incur increased costs as a result of being a public company, particularly after we have ceased to qualify as an "emerging growth company."

As a public company in the United States, we incur significant accounting, legal and other expenses that we did not incur as a private company. The Sarbanes-Oxley Act, as well as rules subsequently implemented by the Securities and Exchange Commission and the NASDAQ Global Select Market, require significantly heightened corporate governance practices of public companies, including Section 404 relating to internal control over financial reporting. We expect these rules and regulations to increase our legal and financial compliance costs and to make some corporate activities more time-consuming and costly. In particular, as we are no longer an "emerging growth company," we expect to incur significant

expenses and devote substantial management efforts in assessing our internal control over financial reporting and comply with the auditor attestation requirement under Section 404 of the Sarbanes-Oxley Act of 2002. Compliance with these rules and requirements may be especially difficult and costly for us because we may have difficulty locating sufficient personnel in China with experience and expertise relating to U.S. GAAP and U.S. public company reporting requirements, and such personnel may command high salaries relative to similarly experienced personnel in the United States. If we cannot employ sufficient personnel to ensure compliance with these rules and regulations, we may need to rely more on outside legal, accounting and financial experts, which may be costly. If we fail to comply with these rules and requirements, or are perceived to have weaknesses with respect to our compliance, we could become the subject of a governmental enforcement action and investor confidence could be negatively impacted and the market price of our ADSs could decline. In addition, we will incur additional costs associated with our public company reporting requirements. We are currently evaluating and monitoring developments with respect to these rules and regulations, and we cannot predict or estimate with reasonable certainty the amount of additional costs we may incur or the timing of such costs.

We were named as a defendant in putative shareholder class action lawsuits in the United States, and we may be involved in more class action lawsuits in the future. Such lawsuits could divert a significant amount of our management's attention and other resources from our business and operations, which could harm our results of operations and require us to incur significant expenses to defend the lawsuits. Any such class action suit, whether or not successful, could harm our reputation and restrict our ability to raise capital in the future. In addition, if a claim is successfully made against us, we may be required to pay significant damages, which could have a material adverse effect on our financial condition and results of operations.

We believe we were a passive foreign investment company for our taxable year ended December 31, 2021, which could subject United States investors in the ADSs or common shares to significant adverse United States federal income tax consequences.

Based on the market price of our ADSs and the composition of our assets (in particular the retention of a substantial amount of cash), we believe that we were a "passive foreign investment company" (a "PFIC") for United States federal income tax purposes for our taxable year ended December 31, 2021, and we will very likely be a PFIC for our current taxable year ending December 31, 2022 unless the market price of our ADSs increases and/or we invest a substantial amount of the cash and other passive assets we hold in assets that produce or are held for the production of active income. In addition, it is possible that one or more of our subsidiaries may be or become classified as a PFIC for United States federal income tax purposes. A non-U.S. corporation will be classified as a PFIC for any taxable year if either (1) 75% or more of its gross income consists of certain types of passive income or (2) 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.

If we are classified as a PFIC for any taxable year during which a U.S. Holder (as defined in Item 10. Additional Information—E. Taxation—United States Federal Income Tax Considerations) holds our ADSs or common shares, such U.S. Holder may incur significantly increased United States federal income tax on gain recognized on the sale or other disposition of the ADSs or common shares and on the receipt of distributions on the ADSs or common shares to the extent such gain or distribution is treated as an "excess distribution" under the United States federal income tax rules. Further, if we are classified as a PFIC for any year during which a U.S. Holder holds our ADSs or common shares, we generally will continue to be treated as a PFIC for all succeeding years during which such U.S. Holder holds our ADSs or common shares ("PFIC Tainted Shares") even if, we, in fact, cease to be a PFIC in subsequent taxable years. Accordingly, a U.S. Holder of our ADSs or common shares is urged to consult its tax advisor concerning the United States federal income tax considerations related to holding and disposing of ADSs or common shares (including, to the extent an election is available, making a "mark-to-market" election to avoid owning PFIC-Tainted Shares and the unavailability of an election to treat us as a qualified electing fund). For more information, see the section titled "Item 10. Additional Information—E. Taxation—United States Federal Income Tax Considerations—Passive Foreign Investment Company Considerations."

Item 4. Information on the Company

A. History and Development of the Company

We commenced operations in January 2003 through the establishment of Shenzhen Xunlei, which currently, together with its various subsidiaries in the PRC, operates our Xunlei internet platform.

In February 2005, we established Xunlei Limited as our holding company in the Cayman Islands. Xunlei Limited directly owns Giganology Shenzhen, our wholly owned subsidiary in China established in June 2005. Giganology Shenzhen primarily engages in the research and development of new technologies.

Giganology Shenzhen has entered into a series of contractual arrangements with Shenzhen Xunlei and its shareholders. These contractual arrangements enable us to exercise effective control over Shenzhen Xunlei and receive substantially all of the economic benefits of Shenzhen Xunlei. As a result, Shenzhen Xunlei is the variable interest entity and we have consolidated the financial results of Shenzhen Xunlei and its subsidiaries in our consolidated financial statements in accordance with U.S. GAAP. The existing principal subsidiaries of Shenzhen Xunlei include the following:

- Shenzhen Xunlei Wangwenhua Co., Ltd. (formerly known as “Shenzhen Fengdong Networking Technologies Co., Ltd.”), or Wangwenhua, which was established in December 2005 and primarily engages in software development, technical consulting and other related technical services.
- Xunlei Games Development (Shenzhen) Co., Ltd., or Xunlei Games, which was established in February 2010 and primarily engages in the development of online game and computer software and advertising services.
- Shenzhen Onething Technologies Co., Ltd., which was established in September 2013 and currently a subsidiary of Shenzhen Xunlei, and primarily engages in cloud computing technology development and related services with valid VATS Licenses.
- Beijing Xunjing Technology Co., Ltd., which was established in October 2015 and currently a subsidiary of Wangwenhua and primarily engages in technology development and related services.
- Henan Tourism Information Co., Ltd., which we acquired 80% of the total equity interest from an independent third party in June 2018 and primarily engages in computer software development, information consultation, entertainment services, advertising, and certain information services under Type II value-added telecommunication businesses.
- Jiangxi Node Technology Services Co. Ltd., which was established in July 2020 and primarily engages in bandwidth purchasing.

In February 2011, we established a direct wholly owned subsidiary, Xunlei Network Technologies Limited, or Xunlei Network BVI, in the British Virgin Islands. In March 2011, we established Xunlei Network Technologies Limited, or Xunlei Network HK, in Hong Kong, which is the direct wholly owned subsidiary of Xunlei Network BVI. Xunlei Network HK primarily engages in the development of computer software. In November 2011, we established Xunlei Computer in China, which is the direct wholly owned subsidiary of Xunlei Network HK. Xunlei Computer primarily engages in the development of computer software and information technology services.

In June 2014, we completed the initial public offering of our ADSs, which are listed on the NASDAQ Global Select Market under the symbol “XNET.”

In September 2014, we, through Shenzhen Xunlei, acquired from subsidiaries of Kingsoft Corporation Limited Kuaipan Personal and Kansunzi, both software services in support of cloud-sourced storage and sharing, and their related business and assets, for an aggregate cash consideration of US\$33 million. In August 2016, we discontinued our Kuaipan Personal services due to a change of business focus.

In July 2015, we completed the sale of our entire stake in Xunlei Kankan to Beijing Nesound International Media Corp., Ltd., an independent third party, for a consideration of RMB130.0 million. As of December 31, 2019, Beijing Nesound International Media Corp., Ltd. had fully paid the whole consideration of RMB130.0 million to us. This sale is part of our strategy to streamline our business and continue our transition into mobile internet.

In April 2021, Xunlei Network HK acquired all equity interest of Funi. Pte. Ltd, or Funi, from an independent third party. Funi was established in Singapore and primarily engages in live audio streaming business in the Middle East and business development for international markets.

Our principal executive offices are located at: 21-23/F, Block B, Building No. 12, No.18 Shenzhen Bay ECO-Technology Park, Keji South Road, Yuehai Street, Nanshan District, Shenzhen, the People’s Republic of China. Our telephone number at this address is +86 755-8633-8443. Our registered office in the Cayman Islands is located at the offices of Maples Corporate Services Limited, PO Box 309, Uglund House, Grand Cayman, KY1-1104, Cayman Islands.

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

B. Business Overview

Overview

We are a leading innovator in shared cloud computing and blockchain technology in China. We operate a powerful internet platform in China based on cloud technology to enable our users to quickly access, store, manage, and consume digital media content on the internet. In recent years, we have expanded our products and services from PC-based devices to mobile devices in part through pre-installed acceleration products in mobile phones to further enlarge our user base and offer our users a wider range of access points. We provide a wide range of products and services across cloud acceleration, blockchain, shared cloud computing and digital entertainment to deliver an efficient, smart and safe internet environment.

To address deficiencies of digital media transmission over the internet in China, such as low speed and high delivery failure rates, we provide users with quick and easy access to online digital media content through core products and services below:

- Xunlei Accelerator, our most popular and free product, which enables users to accelerate digital transmission over the internet and has approximately 48.0 million monthly unique visitors in December 2021, according to our internal record; and
- Cloud acceleration subscription services, which are delivered through our product, Green Channel, and offer users premium services for speed and reliability.

In addition to our core product, Xunlei Accelerator, we have also developed cloud computing and other internet value-added services to speed up corporate development and to keep pace with the latest industry trend and users’ changing needs. These value-added services and products primarily include live streaming services and online game services, which provide us with synergies in our business operations.

As a part of our cloud-based mobile strategies, we launched Mobile Xunlei, a mobile app that allows users to search, download and consume digital media content on their mobile devices in a user friendly way, in 2012 as an important step in expanding our services to mobile devices. Mobile Xunlei gained popularity while bigger screen phones with enhanced storage capacity changed mobile phone users’ behavior in accessing and consuming digital media content. Based on our own record, the monthly average daily active user of this application was about 4.4 million in 2021. Mobile Xunlei is also one of the most downloaded applications in its category. In the fourth quarter of 2015, we started to monetize our mobile traffic through advertising sales and generated our first mobile advertising revenues. Mobile Xunlei supplements our existing subscriptions business, enabling us to reach a wider scope of user base and expand our services to additional devices of a user who has multiple devices.

Our mobile initiatives also benefit from our relationship with Xiaomi, one of our previous strategic shareholders. Since 2014, we have entered into a pre-installing services agreement with a Xiaomi group company which manufactures Xiaomi phones, a well-recognized brand of smart phones in China. Pursuant to the agreement, we agree to provide our Mobile Xunlei acceleration plug-in, and the mobile phone manufacturer agrees to install such plug-in on its phones, free of charge. Such pre-installment arrangement provides mobile phone users with access to our acceleration services, which we believe enhances our ability to generate more user traffic. Our mobile acceleration software has been officially adopted by Xiaomi's operating systems and the software has been installed on Xiaomi phones sold in China, including both new phones shipments and system upgrades from existing Xiaomi phones.

Another key part of our strategies is to continue our innovation in crowdsourcing of idle bandwidth capacity and potential storage from users of our cloud computing hardware devices so that we can continuously deliver computing resources to third parties, such as internet content providers, through our CDN services. We started to generate revenue from selling crowdsourced uplink capacity we collected from users of our cloud computing services to third parties in the third quarter of 2015. To further develop our cloud computing business, we launched our decentralized cloud computing product, OneThing Cloud, in 2017. OneThing Cloud is essentially a cloud-based storage and sharing device that allows users to share their idle internet bandwidth and storage resources with our content delivery networks. The third parties that purchased our cloud computing services mainly include internet content providers such as iQiyi and Xiaomi. In 2020, we launched our own reward program, which allows users of OneThing Cloud to share crowdsourced idle uplink capacities and external storage with us in exchange for a small amount of cash rewards.

In 2018, we launched StellarCloud, a shared cloud computing platform that upgraded our existing content delivery network (CDN) services to Infrastructure as a Service (IaaS). It provides powerful and cost-effective cloud computing solutions and shares its extensive node distribution with its enterprise users, enabling efficient and cost-effective access. StellarCloud also offers edge computing, function computing and shared CDN (SCDN) solutions to our enterprise users. Our customers of our StellarCloud include some of the leading internet companies in China.

In 2018, we launched ThunderChain, an open platform that enables our enterprise users to develop and manage blockchain applications. It represents our first accomplishment after we shift our focus from developing application products based on blockchain technology to the research and development of blockchain infrastructures.

In September 2020, we launched a BaaS (Blockchain as a Service) platform, which is a high-performance blockchain technology platform based on the infrastructure of ThunderChain. With one-stop blockchain service solutions, it is designed to liberate enterprises and developers from complex technical issues in blockchain infrastructure and to drive innovation and productivity. In the current stage, our Baas Platform on ThunderChain covers five modules including application, access, service, key technology and resources. The BaaS Platform possesses the following features to fully meet users' business-driven demands for blockchain applications: one-stop blockchain service solutions, resource-based pricing, cost-effectiveness, user-friendliness and blockchain application interchangeability.

In February 2022, we launched a blockchain based enterprise digital collection service platform, which aims to help enterprises and organizations achieve on-chain for their digital assets. This platform provides services such as digital collection minting, showcasing, management, among others, based on the infrastructure of ThunderChain.

We generated revenues by monetizing our large user base, primarily through the following services:

- Cloud acceleration subscription services. We provide premium cloud acceleration services to subscribers to enable faster and more reliable access to digital media content;
- Online advertising services (including mobile advertising). We offer advertising services by providing marketing opportunities on our websites, mobile Xunlei application and platform to our advertisers;
- Cloud computing and other internet value-added services. We offer cloud computing services and multiple other value-added services to our users and customers, such as live streaming services and online game services; and

- Sales of our cloud computing devices. We sell hardware devices that provide our users with easy access to our cloud computing services such as OneThing Cloud. In 2021, we generated a small amount of revenues from selling OneThing Cloud device to our users.

Our revenues increased from US\$181.3 million in 2019 to US\$186.7 million in 2020 and further to US\$239.6 million in 2021. We had a net loss attributable to Xunlei Limited of US\$53.2 million in 2019, US\$13.8 million in 2020 and a net income of US\$1.2 million in 2021.

Our platform

On our platform, users can accelerate internet content transmission, develop and operate blockchain-based services and applications and enjoy popular forms of internet-based entertainment, such as watching live online performance and playing online games.

Cloud-based acceleration

We provide data transmission acceleration services based on cloud computing technology to internet users. Our cloud computing technology utilizes a network of computers hosted on the internet to store, manage, and process data, thus providing our users with acceleration in internet data transmission and improves their download success rates. We provide our acceleration services to internet users with the following products and services.

Accelerator

We launched our core product, Xunlei Accelerator, in 2004 to address deficiencies of digital media content transmission over internet in China, such as low speed and high delivery failure rates. Xunlei Accelerator allows users to accelerate digital transmission over the internet for free. Xunlei Accelerator also bridges users with diverse needs to other services we offer, such as Xunlei Media Player, which supports both online and offline video watching, and our various online games, by recommending and providing links to these services on its user interface.

Xunlei Accelerator is designed to provide an effective digital media content transmission solution to our users. In addition to our featured transmission acceleration function, we have integrated certain features into the interface of Xunlei Accelerator to enhance the overall user experience while helping users transmit their desired content efficiently. For example, Xunlei Accelerator provides a platform to integrate other third-party plug-in applications. Users can add application tabs to create shortcuts to various services that are provided by us, third-party application developers and application vendors who have business relationships with us. Xunlei Accelerator also has a task management console to allow users to track and manage their transmissions in progress, to manage and prioritize cloud-based data transmission tasks, or manage and synchronize transmitted content across multiple internet-enabled devices.

In 2020, we further tapped into our existing acceleration capacity and expanded the digital media content transmission solution provided by our Xunlei Accelerator to cover business users, in particular, online game companies. Depending on specific demands of online game companies, we are able to formulate individualized acceleration solutions tailored to such online game companies and help them better connect with target users of their online games.

In 2020, we also upgraded our Xunlei Accelerator by providing our users with personal cloud storage resources through launching Xunlei Cloud Drive. Instead of stretching increasingly inadequate local storage resources, Xunlei Cloud Drive allows users to save documents, files and other internet contents they downloaded on the cloud server. Users can also upload documents and files on Xunlei Cloud Drive with security control and provides real-time back-ups. Our Xunlei Cloud Drive offers each user a free storage space of 500 GB. Users can retrieve the internet contents they stored on Xunlei Cloud Drive whenever they want through different terminals including tablets, smartphones and desktops. Xunlei Cloud Drive also allows users to share the data saved on the cloud server among each other. Users are able to access our Xunlei Cloud Drive service for free through our Xunlei Accelerator. Subscribers of our premium cloud acceleration service will be able to enjoy a cloud storage space of 3 to 6 TB.

Mobile acceleration plug-in

We offer a mobile acceleration plug-in, which provides mobile device users with benefits of download speed acceleration and download success rate improvements similar to those offered by the PC-based Xunlei Accelerator. Our mobile acceleration plug-in has been adopted by Xiaomi, a Chinese smartphone maker, on its operating systems MIUI6, MIUI7, MIUI8, MIUI9, MIUI10, MIUI11, MIUI12 and MIUI13. Xiaomi installs our mobile acceleration plug-in on all of its new phones sold in China free of charge and adds such plug-in to the existing ones via system upgrade. Xiaomi phone users thus have access to our acceleration services.

Subscription services

We charge monthly or annual fees for our premium cloud acceleration subscription services. The benefits and services within the subscription package, which typically include incrementally larger bandwidth and faster acceleration speed, are upgraded according to the VIP levels. Our cloud acceleration subscription services are delivered through our major premium acceleration product, Green Channel. It allows our subscribers to transmit digital media files from the internet, which significantly improves speed and reliability of such transmission. This is particularly helpful when subscribers need to transmit files that are only available from slow or unreliable data transmission sources, or to transmit a group of files while having only limited internet connectivity time. In addition to our major premium acceleration product, our product, Fast Bird, also accelerates our subscribers' internet access by increasing the bandwidth of the network system provided by telecommunications service providers.

We adopted different strategies and various promotion programs for each VIP level. For example, when we discovered that some of our users were not aware of our subscription services, we provided users with greater exposure to our subscription services in different parts of our platform and promoted products with significant potential interests to specific users. We use our powerful digital data analysis capabilities to explore different areas of user needs previously unmet by existing functions and research and develop relevant functions based on such analysis. We offer users promotional measures, such as providing some free trials of premium acceleration services, to show the differences in the data transmission speeds to demonstrate how our premium services tremendously enhance data delivery speed and overall subscriber experience. In order to promote customer loyalty, we may elevate the VIP levels of our subscribers if they actively engage in our services. Once upgraded to certain higher VIP levels, our subscribers may be offered additional independent accounts, internally termed as sub-accounts, and allow users to access our premium acceleration services, at no additional charges. Starting from September 2016, we have ceased to provide new sub-accounts to users with upgraded VIP levels. Users with existing independent accounts are still able to use such accounts.

We had a subscriber base of 4.0 million, 3.8 million and 4.4 million as of December 31, 2019, 2020 and 2021, respectively. In this annual report, the number of subscribers as of a given day excludes any sub-accounts.

Mobile Xunlei

Mobile Xunlei is a mobile application that allows users to search, download and consume digital media content on their mobile devices. The monthly average daily active user of this product was about 4.4 million in 2021. We monetize our mobile traffic through advertising sales. Moreover, this mobile application also supplements our existing subscriptions business. Some of our mobile application users also became users of our PC-based Xunlei Accelerator.

Cloud computing

We launched our cloud computing project in 2014, which crowdsources idle uplink capacity from internet users who have bought and connected our proprietary hardware, Zhuanqianbao, or ZQB, to their network router. Our ZQB devices can allocate those users' idle uplink capacity to us. We pay users of our ZQB devices for the use of their idle uplink capacity.

To further develop our cloud computing business and at the same time explore emerging blockchain technology, we launched our decentralized cloud computing product, OneThing Cloud, in 2017. OneThing Cloud is a cloud-based storage and sharing device, which crowdsources idle uplink capacity from our users who have bought and connected their

OneThing Cloud devices to their network router. Similar to ZQB, users of OneThing Cloud can voluntarily share their idle computing resources to us. Through our proprietary technologies, we crowdsource idle computing resources contributed by users and convert them into cloud computing resources to be provided to our customers, such as internet content providers, through our CDN services. Users of OneThing Cloud can also voluntarily participate in our cash reward program and receive a small amount of cash while contributing idle uplink capacity to us.

In 2018, we further advanced our cloud computing business and launched StellarCloud. StellarCloud is a distributed cloud computing platform that integrates the idea of shared economy and blockchain technology with cloud computing technology. Leveraging our proprietary technologies, such as stellar scheduling, weak network acceleration and network dynamic defense, and the advantages of extensive distribution of nodes over traditional cloud vendors, StellarCloud provides powerful and cost-effective cloud computing solutions, such as edge computing, function computing and shared CDN (SCDN) and shares its extensive node distribution with its enterprise users. In 2019, we further expanded our CDN network by jointly establishing dozens of distributed cloud computing node rooms across China with local IDC and ISP service providers. We installed our OneThing Cloud devices in these locations while local IDC and ISP service providers provide us with internet access and data center management services. By cooperating with these IDC and ISP service providers, we are able to collect idle bandwidth, storage space and other resources.

The crowdsourced uplink capacities are valuable resources that we target to commercialize with potential customers such as streaming websites and app stores. Depending on our own needs, we also utilize those crowdsourced uplink capacities for our business from time to time, reducing our purchase of bandwidth from traditional third-party carriers. In addition, relying on a large number of distributed cloud computing nodes, we are researching and developing advanced edge computing applications in anticipation of a rising new industry.

ThunderChain

We rolled out our first blockchain infrastructure product, ThunderChain, in May 2018. ThunderChain is an open platform that enables our users to develop and manage blockchain applications. We are dedicated to exploring practical adoptions of blockchain in various industries and sectors, and providing tools, frameworks, and guidelines for blockchain development. Through our ThunderChain open platform, we provide smart contract development services, blockchain implementation services, and blockchain commercial ecosystem establishment services. In December 2019, we updated ThunderChain's portfolio of products across six major industry sectors, i.e. financial services, livelihood matters, justice, healthcare, government services and industries. With this set of releases, ThunderChain now can offer a wide range of effective blockchain product solutions.

Our ThunderChain platform addresses the difficulties that both enterprise users and developers face in applying blockchain in an all-dimensional approach. For example, our ThunderChain platform has a strong concurrent processing capability. It is able to process over a million transactions per second. By using dual consensus algorithm (DPoA+PBFT), our ThunderChain platform is also able to realize low latency, outstanding data consistency and avoid bifurcation of data. Our ThunderChain platform supports several programming languages such as solidity, C, and C++. Developers do not have to learn new languages to develop ThunderChain-based blockchain applications. In addition, blockchain applications that are developed based on our ThunderChain generally have a good scalability as our ThunderChain platform supports configurable consensus algorithm and underlying storage system replacement, which facilitates the upgrade of ThunderChain-based blockchain applications based on different application scenarios. In terms of data security and privacy, our ThunderChain platform provides several advanced privacy protection solutions and supports multiple cryptographic algorithms. With these difficulties solved, enterprise users and developers are able to focus on application innovation and functional development.

Based on ThunderChain, we launched BaaS (Blockchain as a Service) platform in 2020, which offers one-click deployment service and further lowers the thresholds for enterprise users and developers to develop blockchain-based products. The BaaS platform further frees enterprise users and developers from hassles in dealing with complex technical problems in developing blockchain-based products and enables enterprise users and developers to focus more on the functionality and business rationale of their products.

In February 2022, we launched a blockchain based enterprise digital collection service platform, which aims to help enterprises and organizations achieve on-chain for their digital assets. This platform provides a number of services including digital collection minting, showcasing, management, among others. The digital collections minted on Xunlei's ThunderChain are uniquely identified by the ThunderChain technology, and are permanently preserved in the ThunderChain with unique serial numbers on the chain through the deployment of smart contract technology.

Live streaming services

We launched our live streaming services in 2016 and adjusted our business model in 2017. Through our Xunlei Live website and mobile app, users are able to access our live video streaming services. While viewing live online performance delivered by broadcasters, users may interact with broadcasters, purchase virtual items from us to reward broadcasters they like. In 2018 and 2021, we supplemented our live streaming business by launching live audio streaming products, through which users and broadcasters may interact with each other through audio streaming and purchase virtual items from our platform to reward each other. In 2021, we launched Hiya, an audio live streaming platform, in overseas markets. Currently, overseas users of Hiya are mainly from the Middle East and Southeast Asia. Similar to our live audio streaming platform in China, overseas users are able to interact with broadcasters through Hiya by purchasing virtual items from us and rewarding virtual items to broadcasters. As of the date of this annual report, the business operations of Hiya covered countries in Middle East and Southeast Asia, and we plan to further expand our overseas live streaming business to global markets.

Xunlei Media Player

Xunlei Media Player, which we launched in 2008, is a supplementary tool that helps to deliver a more comprehensive viewing experience of digital media content to the users of Xunlei Accelerator. Xunlei Media Player is our proprietary product that supports both online and offline play of digital media content as well as simultaneous play of digital media content while it is being transmitted by Xunlei Accelerator.

Online game services

To better serve our users, we partnered with third-party online game developers or service providers to offer our users an array of online games through our online game website and mobile app. Such game play platform helps raise the average spending of our subscribers. Online game players can play the games free of charge, but are offered the opportunity to purchase in-game virtual items for a fee to enhance their game-playing experience. We typically enter into cooperation agreements with third-party online game developers or service providers and share revenues generated from online game operations pursuant to revenue sharing arrangements in the agreements.

After we disposed of our web game business and discontinued PC-based MMOGs business in 2018, we only operated mobile game business under our online game business. Since 2019, we started to cooperate with third parties to operate web game business under a business model different from that of our previous web game business. In 2019, we collaborate with a third-party online game provider to provide our users with an array of web games on our Xunlei game center website. In 2020, we partnered with additional third-party online game providers to operate web games. After logging into their Xunlei accounts, our users are able to play these web games provided by the third-party online game providers. Our users are also able to purchase virtual items in those web games using a payment channel provided by us. Mobile games developed by third-party online game developers are available on our mobile app as usual. Users can download mobile games they are interested in through our mobile app and login the games by using their Xunlei account.

In addition to the above value-added services, we may also from time to time offer other ancillary services to cater to users' needs and to supplement the major services we provide.

Advertising services

We provide advertising services primarily through various forms of advertisements placed on our mobile platform and PC websites. We experienced a decline in revenue from mobile advertising in 2019 and 2020, primarily due to a generally decreased demand for our online advertising services. With a view to improving the competitiveness of our

advertising services, we entered into an advertising revenue sharing agreement with Itui, our largest shareholder, and outsourced our advertising business to Itui in 2020. Itui has developed a precision customer target algorithm, and by cooperating with them, we hope to improve advertisement placement and improve revenues as a result. Pursuant to the agreement, Itui is responsible for operating our advertising services and share a portion of revenue generated from placing advertisements on our PC websites and mobile platform. Our advertising revenue experienced further decline in 2021, primarily due to lower advertising placements starting from the second quarter of 2021 as a result of evolving regulations of the internet industry in China, which negatively affected our advertising business.

Technology

We provide accelerated data transmission services, available on PC and mobile devices, based on our distributed file locating system, designed to utilize our proprietary file indexing technology.

Indexing technology

Key elements of our file indexing technology include:

File indexing. We have created, and continue to maintain, a proprietary file index database that stores a massive index of unique file signatures representing all digital media content file that Xunlei Accelerator has found across the internet. Each file signature uniquely identifies the index of a given file. We store a list of each unique file's available data transmission locations from across the internet, which may include both peer and server computers, along with the estimated speed and reliability of each location.

Data mining. We also employ data mining algorithms, studying user habits in order to maximize the speed of our data delivery by ranking the keyword indexes that users search for and placing digital media content more likely to be searched by users in the more easily accessible locations in our network for optimal delivery speed.

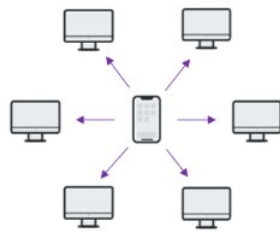
Distributed internet crawling techniques. Our Xunlei Accelerator network acts as a system of distributed spiders to crawl the internet to search for digital media content files. Whenever the user initiates data transmission by using our Xunlei Accelerator, the URL of the data transmission location is uploaded to our server. We then use that URL to traverse and locate any other digital media content files that may also be available from the URL's internet page repositories. We then update our file index according to each traversal result.

Distributed file locating system

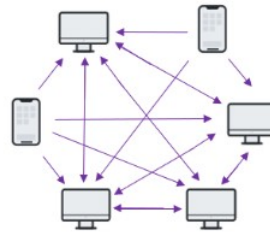
Our distributed file locating system is based on distributed computing architecture, which consists of all Xunlei Accelerator clients that are running and connected to the internet at a given time, along with the server addresses stored in our file index database. When users launch Xunlei Accelerator on a network-connected device, they are automatically

connected to our distributed file locating system and contribute their bandwidth and computing power to our distributed file locating system, which enables users to locate and connect efficiently.

Centralized (Server-based) Architecture



Distributed Computing Network Architecture



Key technologies include:

Multi-protocol file transfer technology. Our multi-protocol file transfer technology allows our product client to transmit, in parallel, from multiple sources that may use different file transfer protocols. Our multi-protocol file transfer technology significantly increases the number of data transmission sources available to further enhance data transmission performance.

Distributed file locating system. Our distributed file locating system helps users discover the best data transmission locations from across the internet, where a particular file may be transmitted or streamed for optimal performance. When a user requests data transmission using our Xunlei Accelerator, distributed file locating system will algorithmically prioritize and select from among the file's available data transmission locations an optimized subset of URLs based on their respective transmit speed and reliability, which is estimated through real-time collaborative interactions between our file index server and our massive network of active Xunlei Accelerator clients across the internet.

Network transport and traversal optimization. Our proprietary software algorithms perform dynamic internet bandwidth and throughput assessments across the Xunlei network and optimization of traffic routing to identify the most efficient path for data transport. These algorithms are designed to maximize delivery speed, reliability and efficiency, and support significant growth in network usage.

Cloud-based implementation for subscription services

We provide cloud acceleration subscription services powered by our indexing technology and distributed file locating system. Our platform is compatible with different operating systems and hardware devices. As part of the infrastructure for the subscription services, except for proprietary load balancing and resource optimization algorithms, we maintain a virtual private network consisting of 143 co-location centers, over one million third-party servers and over 3,180 servers that we own located throughout China.

We maintain proprietary load balancing and resource optimization algorithms, both of which help enhance our mass data mining on user habits to compile and maintain information on users' data transmission acceleration needs and requirements. As a cloud service provider, we use data mining for user habit prediction and co-location purposes. In user habit prediction, we analyze, sample and index user behavior data to help predict user acceleration needs and requirements. For co-location purposes, our program finds the most efficient and stable connection in our network for each transmission task. We also cooperate with telecom operators, maintaining logics and algorithms for our co-location centers in each telecom operator's network to enable real-time dynamic allocation of our servers and bandwidth to support user

acceleration requirements. Our system automatically optimizes user connections based on key factors such as provincial network, firewall penetration and interconnection among various telecom operators.

Additionally, we entered into a framework service agreement with Alibaba Cloud Computing Co., Ltd., or Ali Cloud, in December 2018. Since then, Ali Cloud has provided us with cloud computing products and services. As of December 31, 2021, we were using 3,424 cloud servers and 4,788 cloud services provided by Ali Cloud through its 12 central nodes and 17 edge nodes.

Shared cloud computing model for edge computing services

We created a shared computing model and network by encouraging millions of personal users to share idle resources such as computing power, storage and bandwidth by deploying sharing economy smart devices such as OneThing Cloud and ZQB. With the shared cloud computing model, Xunlei provides high-quality, cost-effective cloud services for corporate clients. StellarCloud is a shared cloud computing platform which expands Xunlei's existing CDN services to a novel cloud computing service stack, offering edge computing, function computing and shared CDN solutions.

StellarCloud edge computing service allows users to deploy their own applications in the form of containers on shared nodes widely distributed on the internet, and make use of a considerable amount of resources such as computing power, storage and bandwidth on all these nodes. The key technology underlying the edge computing service is the container management system that we developed in-house. Unlike the mainstream container solutions designed for IDC environment, the system adopts a lightweight and highly fault-tolerant design that optimized for network and performance diversity of shared nodes, thus enables an efficient and reliable deployment and monitoring of containers among all the nodes.

StellarCloud CDN service is a distributed CDN service that integrates traditional cloud computing data centers and shared node networks. It provides common CDN capabilities such as video on demand, live video streaming, and file distribution. The system splits and encodes the data into segments and deploy them to multiple shared nodes according to a certain strategy. An end user requesting these data gets nearby nodes from our scheduling system, then establishes multiple peer-to-peer connections to fetch data segments concurrently and reassembles them into the original data. Combining our industry-leading peer-to-peer technology and the scheduling mechanism that has been improved for years, StellarCloud CDN moves data distribution from IDC to cost-effective shared nodes, cutting bandwidth costs without compromising the quality of service.

Blockchain platform

We launched ThunderChain, a high-performance blockchain infrastructure product, which can concurrently process millions of transactions per second. Based on our proprietary homogeneous multi-chain framework, ThunderChain is designed to realize confirmation and interaction among homogeneous chains and enable multiple transactions to be executed on different chains in parallel. ThunderChain adopts DPoA+PBFT dual consensus algorithm, which results in low latency and makes it possible to generate one block per second. PBFT, as a consistency algorithm, is also able to avoid soft fork. ThunderChain supports smart contracts written in solidity language and is compatible with Ethereum virtual machine, making it easy to migrate applications from other blockchain platforms.

Marketing

We built up our reputation and maintain our popularity primarily through word-of-mouth. We believe satisfied users and customers are more likely to recommend our services to others. Thus, we continue to focus on improving our services and enhancing our user experience. In the meanwhile, we also invest in a variety of marketing activities to further promote our brand awareness among existing and potential users as well as other customers. For example, we host or attend various public relations events, such as seminars, conferences and trade shows, in the advertising, online video and online game industries to attract users and advertisers. To retain and drive the growth of our subscribers, we market our premium paid services and place subscription advertisements at prominent locations throughout our integrated service offerings.

Intellectual property

Protection of our intellectual property

Our patents, copyrights, trademarks, trade secrets and other intellectual property rights are critical to our business. We rely on a combination of patent, copyright, trademark, trade secret and other intellectual property-related laws in the PRC and contractual restrictions to establish and protect our intellectual property rights. In addition, we require all of our employees to enter into agreements requiring them to keep confidential all information they obtain during the course of their employment relating to our technology, methods, business practices, customers and trade secrets. As of December 31, 2021, we had 192 patents granted in China and four patents granted in the United States, while another 444 patent applications are being examined by the State Intellectual Property Office of the PRC. We also seek to vigorously protect our Xunlei brand and the brands of our other services. As of December 31, 2021, we had 482 trademarks registered in different applicable trademark categories in the PRC and one trademark registered with World Intellectual Property Organization. We had applied for registration of 61 trademarks in China.

Digital media data monitoring and copyright protection

We take initiatives to protect third-party copyrights. The internet industry in China suffers from copyright infringement issues and online digital media content providers are frequently involved in litigation based on allegations of infringement or other violations of copyrights. Assisted by an intellectual property team dedicated to copyright protection, we have implemented internal procedures pursuant to the legal requirements under relevant PRC laws and regulations to promptly disable the download URL of contents for which we receive notice of infringement from the legitimate rights holder, and we work closely with the relevant regulatory authorities in China to ensure compliance with all relevant rules and regulations. We seek assurances in our contracts with digital media content providers that (i) they have the legal right to license the digital media data for the uses we require; (ii) the digital media content itself as well as the authorization or rights granted to us neither breach any applicable law, regulations or public morals, nor impair any third-party rights; and (iii) they will indemnify us for losses resulting from both the non-compliance of such digital media content with the laws and claims from third parties.

As of the date of this annual report, we have implemented several initiatives to further commit to copyright protection. For example, we require our third-party content providers to provide relevant contents that they are duly authorized to provide and do not infringe intellectual property rights of any other parties. We also make available on our websites and mobile applications reporting channels so that we can timely remove contents that infringe intellectual property rights of other parties. Despite the fact that we put in place preventive measures, we may still be subject to copyright infringement suits. As of the date of this annual report, we are involved in 12 copyright lawsuits in China. See “Item 3. Key Information—D. Risk Factors—Risks related to our business—We face and expect to continue to face copyright infringement claims and other related claims, including claims based on content available through our services, which could be time-consuming and costly to defend and may result in damage awards, injunctive relief and/or court orders, divert our management’s attention and financial resources and adversely impact our business” and “Item 8. Financial Information—A. Consolidated Statements and Other Financial Information—Legal Proceedings.”

User data safety

User data safety is a significant advantage we offer to our users. We try to improve user experience by usually maintaining two to four copies of one specific user file for data recovery in extreme circumstances such as system shutdown, private transmission backbone network problems and/or other contingencies beyond our control. The read and write characteristics of our distributed file locating system is identical to those of hard disks, and our unique user file decomposition and encryption algorithm enables us to maintain high standards for user data safety.

Competition

Due to our multiple service offerings, we face competition in several aspects of the internet services market in China. We believe that the key competitive factors in the overall internet services market in China include brand

recognition, user traffic, technology platform and monetization abilities. We also face competition for the advertisement budgets of our advertisers from other internet companies and other forms of media.

Regulation

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

Regulation on catalogue relating to foreign investment

The establishment, operation and management of corporate entities in the PRC are governed by *the Company Law* of the PRC, or the Company Law, which was promulgated by the Standing Committee of the National People's Congress, or the SCNPC, on December 29, 1993 and last amended and became effective on October 26, 2018. A foreign-invested company is also subject to the Company Law unless otherwise provided in the foreign investment laws.

The establishment and operations of wholly foreign-owned enterprises are mainly governed by the *Foreign Investment Law of the PRC* enacted by the National People's Congress, or the NPC, on March 15, 2019 and became effective on January 1, 2020. On December 26, 2019, the State Council promulgated the Detailed Rules for *the Implementation of the Foreign Investment Law of the PRC*, which became effective on January 1, 2020.

Investment activities in the PRC by foreign investors and foreign-invested enterprises are regulated by *the Special Management Measures (Negative List) for the Access of Foreign Investment (2021 Version)*, or the Negative List (2021 Version), promulgated by the National Development and Reform Commission, or NDRC, and the MOFCOM in December, 2021 and effective on January 1, 2022, and *the Catalogue of Industries for Encouraging Foreign Investment (2020 Version)*, or Encouraging Catalogue (2020 Version) promulgated by the NDRC, in December 2020, and effective on January 27, 2021. Pursuant to the Encouraging Catalogue (2020 Version) and the Negative List (2021 Version), foreign-invested projects are categorized as encouraged, restricted and prohibited. Foreign-invested projects that are not listed in the Negative list are permitted foreign invested projects.

Establishment of wholly foreign-owned enterprises is generally allowed in industries not included in the Negative List. For the restricted industries within the Negative List, some of the industries are limited to equity or contractual joint ventures, while in some cases Chinese partners are required to hold the majority interests in such joint ventures. In addition, restricted category projects are subject to government approvals and certain special requirements. Foreign investors are not allowed to invest in industries in the prohibited category. The provision of value-added telecommunications services falls in the restricted category and the percentage of foreign ownership cannot exceed 50% (excluding e-commerce, domestic multi-party communications, store-and-forward, and call center services). The provision of internet cultural operating service (including online game operation services), internet publication service and online transmission of audio-visual programs service fall in the prohibited category and the foreign investors are prohibited to engage in such services. We conduct our operations in China principally through contractual arrangements among Giganology Shenzhen, our wholly owned PRC subsidiaries, and Shenzhen Xunlei, the VIE, and its shareholders. Shenzhen Xunlei or its relevant subsidiary, holds the licenses and permits necessary to conduct our resource discovery network, cloud computing, online advertising, online games and related businesses in China and Shenzhen Xunlei holds various operating subsidiaries that conduct a majority of our operations in China. Shenzhen Onething and one of its subsidiaries have obtained an updated VATS License to cover CDN service for our cloud computing business. Both of Giganology Shenzhen and Xunlei Computer, another wholly owned PRC subsidiary of ours, engage in the development of computer software, technical consulting and other related technical services and businesses, none of which falls into any of restricted or prohibited categories under the Negative List. Hence, these activities operated by Giganology Shenzhen and Xunlei Computer are deemed to be permitted and open to foreign investment.

In December 2019, the Ministry of Commerce and the State Administration for Market Regulation issued *Measures for the Reporting of Foreign Investment Information*, effective on January 1, 2020, which repealed the FIE Record-filing Interim Measures, pursuant to which where foreign investors carry out investment activities directly or indirectly within China, foreign investors or foreign-funded enterprises shall report investment information to relevant commerce departments.

Regulation on telecommunications and internet information services

The telecommunications industry, including the internet sector, is highly regulated in the PRC. Regulations issued or implemented by the State Council, MIIT, and other relevant government authorities cover many aspects of operation of telecommunications and internet information services, including entry into the telecommunications industry, the scope of permissible business activities, licenses and permits for various business activities and foreign investment.

The principal regulations governing the telecommunications and internet information services we provide in the PRC include:

- *Telecommunications regulations* (2016, revised), or the Telecom Regulations. The Telecom Regulations categorize all telecommunications businesses in the PRC as either basic or value-added. Value-added telecommunications services are defined as telecommunications and information services provided through public network infrastructures. The “Catalogue of Telecommunications Business”, an attachment to the Telecom Regulations and updated by MIIT’s Notice on Adjusting the Catalogue of Telecommunications Business effective from April 1, 2003 and amended on March 1, 2016, categorizes various types of telecommunications and telecommunications-related activities into basic or value-added telecommunications services, according to which, internet content provider services, or ICP services, are classified under the second category of value-added telecommunications businesses and the CDN services, the internet access services and the internet data center services are classified under the first category of value-added telecommunications business. Under the Telecom Regulations, commercial operators of value-added telecommunications services must obtain the VATS License covering the business classified under the relevant category from MIIT or its provincial level counterparts.
- *Administrative measures on internet information services* (2011, revised), or the Internet Measures. According to the Internet Measures, a commercial ICP service operator must obtain a VATS License from the relevant government authorities before engaging in any commercial ICP service within the PRC. When the ICP service involves areas of news, publication, education, medical treatment, health, pharmaceuticals, medical equipment and other industry and if required by law or relevant regulations, prior approval from the respective regulating authorities must be obtained prior to applying for the VATS License covering the ICP services from MIIT or its local branch at the provincial level. Moreover, an ICP service operator must display its ICP License number in a conspicuous location on its website and must monitor its website to remove categories of harmful content that are broadly defined.
- *Administrative measures for telecommunications business operating license* (2017, revised), or the Telecom License Measures. The Telecom License Measures set forth more specific provisions regarding the types of licenses required to operate value-added telecommunications services, the qualifications and procedures for obtaining such licenses and the administration and supervision of such licenses. For example, an ICP service operator conducting business within a single province must apply for the VATS License from MIIT’s applicable provincial level counterpart, while an ICP service operator providing ICP services across provinces must apply for a Trans-regional VATS License directly from MIIT. The appendix to the VATS License must detail the permitted activities to be conducted by the ICP service operator. An approved ICP service operator must conduct its business in accordance with the specifications recorded on its VATS License. The VATS License is subject to annual report requirement. An ICP service operator shall report certain information to the issuing authorities through the administrative platform in the first quarter every year. Such information includes the business performance of the telecommunications business in the previous year, service quality, the actual implementation of the network and information security guarantee systems and measures, among others. ICP service operator shall be responsible for the truthfulness of the information in the annual report.
- *Detailed rules on the administration of internet websites* (2005), which set forth that the website operator is required to apply for the ICP filing from MIIT or its local branches at the provincial level on its own or through the access service provider.
- *Regulations for administration of foreign-invested telecommunications enterprises* (2016, revised), or the FITE Regulations. The FITE Regulations set forth detailed requirements with respect to, among others, capitalization,

investor qualifications and application procedures in connection with the establishment of a foreign-invested telecommunications enterprise. Under the FITE Regulations, a foreign entity is prohibited from owning more than 50% of the total equity interest in any value-added telecommunications service business in the PRC and the major foreign investor in any value-added telecommunications service business in the PRC shall have good and profitable records and operating experiences in such industry.

- *Circular on strengthening the administration of foreign investment in and operation of value-added telecommunications business* (2006). Under this circular, a domestic PRC company that holds a VATS License is prohibited from leasing, transferring or selling the VATS License to foreign investors in any form, and from providing any assistance, including providing resources, sites or facilities, to foreign investors that conduct value-added telecommunications business illegally in the PRC. Further, the domain names and registered trademarks used by an operating company providing value-added telecommunications service shall be legally owned by such company and/or its shareholders. In addition, such company's operation premises and equipment should comply with the approved covering region on its VATS License, and such company should establish and improve its internal internet and information security policies and standards and emergency management procedures.
- *Circular of the Ministry of Industry and Information Technology on Clearing up and Regulating the Internet Access Service Market* (2017), which, among others, further strengthens the supervision and management of the applications of cloud computing, big data and other applications. For an enterprise that conducts the CDN business without a VATS License specifically covering such business, it must submit a written commitment to the original license issuing authority before March 31, 2017, undertaking that an eligible VATS License will be obtained by the end of 2017. If such enterprise fails to make the commitment on time, it must carry out business activities strictly in compliance with their existing licenses. Furthermore, if the enterprise fails to obtain the eligible VATS License as committed it should terminate the relevant business starting from January 1, 2018.

To comply with these PRC laws and regulations, we operate our websites through Shenzhen Xunlei, our PRC variable interest entity. We, through Shenzhen Xunlei, currently hold a VATS License covering its ICP services expiring on April 30, 2025 and another VATS License for its provision of cloud computing services including internet data center services and internet access services expiring on October 31, 2024, and own the essential trademarks and domain names in relation to our value-added telecommunications business. Shenzhen Onething and one of its subsidiaries have obtained VATS Licenses to cover the CDN service for our cloud computing business.

Under various laws and regulations governing ICP services, ICP services operators are required to monitor their websites. They may not produce, duplicate, post or disseminate any content that falls within the prohibited categories and must remove any such content from their websites, including any content that:

- opposes the fundamental principles determined in the PRC's Constitution;
- compromises state security, divulges state secrets, subverts state power or damages national unity;
- harms the dignity or interests of the State;
- incites ethnic hatred or racial discrimination or damages inter-ethnic unity;
- sabotages the PRC's religious policy or propagates heretical teachings or feudal superstitions;
- disseminates rumors, disturbs social order or disrupts social stability;
- propagates obscenity, pornography, gambling, violence, murder or fear or incites the commission of crimes;
- insults or slanders a third party or infringes upon the lawful rights and interests of a third party; or
- includes other content prohibited by laws or administrative regulations.

The PRC government may shut down the websites of VATS License holders that violate any of such content restrictions and requirement, revoke their VATS Licenses or impose other penalties pursuant to applicable law. To comply with these PRC laws and regulations, we have adopted internal procedures to monitor content displayed on our website.

Regulation on online transmission of audio-visual programs

On April 25, 2016, SAPPRFT issued the *Administrative Provisions on Audio-Visual Program Services through Private Network and Targeted Communication*, which replaced the Measures for the Administration of Publication of Audio-visual Programs through Internet or Other Information Network, or the 2004 Internet A/V Measures. Pursuant to these provisions, “audio-visual program services through private network and targeted communication” refer to television, mobile phones and other kinds of fixed and mobile electronic equipment as terminal recipients, and through setting up virtual private network through local networks and internet or with Internet and other information networks as targeted transmission channels, oriented to the public to provide audio-visual program service activities, such as radio and television programs conducted by such forms as Internet protocol television (IPTV), private network mobile TV, Internet TV, and other forms of content provision, integrated broadcast control, transmission and distribution activities. Any provider who engages in aforesaid service must obtain a license from GAPPRFT. Foreign-invested enterprises are not allowed to engage in the above business. On April 13, 2005, the State Council promulgated the *Certain Decisions on the Entry of the Non-State-owned Capital into the Cultural Industry*. On July 6, 2005, MOC, GAPPRFT, the NDRC and the Ministry of Commerce, jointly adopted the *Several Opinions on Canvassing Foreign Investment into the Cultural Sector*. According to these regulations, non-State-owned capital and foreign investors are not allowed to conduct the business of transmitting audio-visual programs via information network.

On December 20, 2007, GAPPRFT and MIIT jointly promulgated the *Administrative Provisions on Internet Audio-visual Program Service*, or the Audio-visual Program Provisions, which came into effect on January 31, 2008 and was revised on August 28, 2015. The Audiovisual Program Provisions apply to the provision of audio-visual program services to the public via internet (including mobile network) within the territory of the PRC. Providers of internet audio-visual program services are required to obtain a License for Online Transmission of Audio-visual Programs issued by GAPPRFT or complete certain registration procedures with GAPPRFT. Providers of internet audio-visual program services are generally required to be either State-owned or State-controlled by the PRC government, and the business to be carried out by such providers must satisfy the overall planning and guidance catalog for internet audio-visual program services determined by GAPPRFT. In a press conference jointly held by GAPPRFT and MIIT to answer questions with respect to the Audio-visual Program Provisions in February 2008, GAPPRFT and MIIT clarified that providers of internet audio-visual program services who engaged in such services prior to the promulgation of the Audiovisual Program Provisions shall be eligible to register their business and continue their operation of internet audio-visual program services so long as those providers had not been in violation of the laws and regulations. On March 10, 2017, SAPPRFT promulgated the *Categories of the Internet Audio-Video Program Services*, which classifies internet audio-video programs into four categories.

On April 8, 2008, GAPPRFT issued a *Notice on Relevant Issues Concerning Application and Approval of License for Online Transmission of Audio-visual Programs*, which further sets forth detailed provisions concerning the application and approval process regarding the License for Online Transmission of Audio-visual Programs. The notice also provides that providers of internet audio-visual program services who engaged in such services prior to the promulgation of the Audio-visual Program Provisions shall also be eligible to apply for the license so long as their violation of the laws and regulations is minor and can be rectified timely and they have no records of violation during the latest three months prior to the promulgation of the Audio-visual Program Provisions.

On December 28, 2007, GAPPRFT issued the *Notice on Strengthening the Administration of TV Dramas and Films Transmitted via the Internet, or the Notice on Dramas and Films*. According to this notice, if audio-visual programs published to the public through an information network fall under the film and drama category, the requirements of the Permit for Issuance of TV Dramas, Permit for Public Projection of Films, Permit for Issuance of Cartoons or academic literature movies and Permit for Public Projection of Academic Literature Movies and TV Plays will apply accordingly. In addition, providers of such services should obtain prior consents from copyright owners of all such audio-visual programs.

Further, on March 30, 2009, GAPPRT issued the *Notice on Strengthening the Administration of the Content of Internet Audio-visual Programs*, or the *Notice on Content of A/V Programs* which reiterates the requirement of obtaining the relevant permit of audio-visual programs to be published to the public through information network, where applicable, and prohibits certain types of internet audio-visual programs containing violence, pornography, gambling, terrorism, superstition or other hazardous factors. In addition, on August 11, 2009, GAPPRT issued the *Notice on Relevant Issues Regarding Strengthening of the Administration of Internet Audio/visual Program Services Received by Television Terminals*, which specifies that prior to providing audio-visual program services for television terminals, an ICP service operator shall obtain the License for Online Transmission of Audio-visual Programs containing the scope of “Integration and Operation Services of Audiovisual Programs Received by Television Terminals.”

To comply with these laws and regulations, Henan Tourism Information Co., Ltd., or Henan Tourism, one of our operating subsidiaries in the PRC, currently is holding a License for Online Transmission of Audio-visual Programs with an effective period from February 28, 2021 to February 28, 2024. However, neither Shenzhen Wangwenhua, the entity that operates a live streaming business, nor Shenzhen Xunlei, the entity that provides video content display services, is a registered owner of the license for online transmission of audio-visual programs. As a result, it is possible that relevant PRC government authorities could determine that these businesses are operating without sufficient license. In addition, we are in the process of application for the registration in the National Internet Audio-Visual Platforms Information Management System under the requirement of Notice 78 for operating a live streaming business and providing video content display services. We may be required to obtain additional licenses, permits, filings or approvals for the functions and services of our platform in the future. See “Item 3. Key Information—D. Risk factors—Risks related to our business—We are strictly regulated in China. Any lack of requisite licenses or permits applicable to our businesses or to our third-party services providers and any changes in government policies or regulations may have a material and adverse impact on our businesses, financial condition and results of operations.”

Regulations on Online Live Streaming

On November 4, 2016, the CAC promulgated the Regulations on the Administration of Online Live Streaming Services, or the Online Live streaming Regulations, which became effective on December 1, 2016.

The Online Live Streaming Regulations provide that online live streaming service providers and distributors must legally obtain the qualification for internet news information services before providing such services on the internet, and engage in online news information services only to the licensed extent. Online live streaming service providers must review all live internet news information and interactions before publishing them, and set up their “chief editor” position if they provide live streaming services of internet news information. The Online Live Streaming Regulations also stipulate that online live streaming service providers must carry out their subject responsibility, arrange professionals commensurate with its service size, establish and improve various management systems, and have the technical capability to immediately cut online live streaming, and its technical plans shall comply with relevant national standards. In addition, online live streaming service providers must conduct graded and categorized management according to the content category and user scale of online live streaming, and establish a credit rating management system for online live streaming distributors as well as a blacklist management system.

On August 1, 2018, the MIIT, the Ministry of Public Security of the PRC and other government agencies jointly issued the Notice on Strengthening the Administration of Internet Live Streaming Services, or the Online Live streaming Services Circular, which specifies respective duties of online live streaming service providers, network access service providers and application stores, aiming to prompt relevant internet-based enterprises to fulfill their responsibilities. The Online Live Streaming Services Circular provides that an online live streaming service provider must make a record filing with the competent telecommunications authority as an internet content provider (ICP). Online live streaming service providers are also required to apply for a permit with the local authorities if they engage in telecommunications business, livestreaming business for internet news information, online performance, and/or online visual-audio programs. Online live streaming service providers must make record filings with the local public security authorities within 30 days after live streaming services have been published on the internet. In addition, online live streaming service providers are required to implement a real name verification system for users, intensify administration of online anchors, establish a blacklist system for online anchors, optimize their system for watching and censoring livestreamed content for regulatory purposes, and improve measures to better respond to harmful content.

On November 12, 2020, the NRTA issued the Notice on Strengthening the Management of Online Show Live streaming and E-commerce Live streaming, pursuant to which live streaming platforms for online shows are requested to strengthen positive value guidance and enable tasteful, meaningful, interesting and warm live streaming programs to have good traffic, and to prevent the spread of the trends of wealth flaunting, money worshiping and vulgarity. Notice 78 requests live streaming platforms for online shows and e-commerce to register with the National Internet Audio-Visual Platforms Information Management System. To date, we are still in process of making the application for such registration for our live streaming business. In addition, the number of content reviewers a platform is required to keep must in principle be no less than 1:50 of the number of live streaming rooms. Live streaming platforms for online shows need to manage the hosts and users making virtual gifting based on the real-name registration system, and users who have not registered with real names or who are minors are prohibited from virtual gifting. The live streaming platforms are required to implement real-name registration system by real-name verification, face recognition, manual review and other measures to prevent minors from virtual gifting. The platform shall limit the maximum amount of rewards each user may give per time, day and month. Live streaming platforms for e-commerce shall not illegally produce and broadcast, beyond their business scope of e-commerce, any commentary programs unrelated to sales of goods.

On February 9, 2021, the CAC and six other PRC governmental authorities jointly issued the *Circular on Issuing the Guiding Opinions on Strengthening Standardized Management of Online Live Streaming*, according to which live streaming platforms shall strictly abide by laws and regulations and relevant state provisions when providing live streaming information services; strictly fulfill their live online platform statutory duties and implement live webcast listing platform main body responsibility, control network broadcast industry main issues list to establish and strictly implement that the editor in chief is responsible for, content audit, user registration, post comments, emergency response, technology security, the host management, training, assessment, reporting acceptance of internal management system. Live streaming platforms that carry out commercial network performance activities must hold a Network Cultural Operation License and file for an ICP; A live broadcasting platform providing online audio-visual program services must hold the Permit for Spreading Audio-Visual Programs via Information Network (or complete registration in the National Information Registration and Management System for Online Audio-visual Platform) and put this on their ICP record. A live broadcast platform that provides Internet news and information service must hold an Internet News and Information Service License. A network live broadcasting platform shall go through the formalities of filing an enterprise with the local cyberspace and information authorities in a timely manner, and a platform that stops providing live broadcasting services shall cancel the filing in a timely manner.

Regulation on online cultural activities

On February 17, 2011, the MOC promulgated the *Provisional Measures on Administration of Internet Culture*, or the Internet Culture Measures, which became effective as of April 1, 2011 and was amended on December 15, 2017. On March 18, 2011, the MOC issued the *Notice on Issues Relating to Implementing the Newly Amended Provisional Measures on Administration of Internet Culture*. The Internet Culture Measures regulates entities engaging in activities relating to “online cultural products.” “Online cultural products” are defined as cultural products produced, disseminated and circulated via internet which mainly include: (i) online cultural products particularly produced for the internet, such as online music entertainment, network games, network performance programs, online performing arts, online artworks and online animation features and cartoons; and (ii) online cultural products converted from music entertainment, games, performance programs, performing arts, artworks and animation features and cartoons, and disseminated via the internet. Pursuant to these measures, entities are required to obtain relevant Online Culture Operating Permits from the applicable provincial level culture administrative authority if they intend to commercially engage in any of the following types of activities:

- production, duplication, importation, distribution or broadcasting of online cultural products;
- publication of online cultural products on the internet or transmission thereof via information networks such as the internet and the mobile networks to computers, fixed-line or mobile phones, television sets or gaming consoles for the purpose of browsing, reviewing, using or downloading such products by online users; or
- exhibitions or contests related to online cultural products.

On December 2, 2016, the MOC issued *the Administrative Measures for Business Activities of Online Performances*, which became effective on January 1, 2017. According to these measures, the business of transmitting in real time the content of online games presented or narrated via information networks such as the internet, mobile communication networks and mobile internet or uploading such contents for communication in the audio-visual form shall be administered as online performances. An operator of online performances shall apply for Online Culture Operating Permit with the competent provincial cultural administration department, and the business scope indicated on the Online Culture Operating Permit shall clearly include online performances. In addition, an operator of online performances shall present the number of its Online Culture Operating Permit in a prominent position on the homepage of its websites.

To comply with these then and currently effective laws and regulations, Shenzhen Xunlei obtained an Online Culture Operating Permit, which was last renewed in February 2022 with an effective period from March 16, 2022 to March 15, 2025 to offer music entertainment product online, operate online performance business and online shows business, and engage in the exhibition of online culture products and competition activities. Shenzhen Wangwenhua obtained an Online Culture Operating Permit with an effective period from November 11, 2020 to May 1, 2023 to operate online performance business and online shows business. In addition, Shenzhen Zhuolian Software Co., Ltd. obtained an Online Culture Operating Permit with an effective period from December 16, 2020 to January 8, 2024 to operate online performance business and online shows business.

Regulation on online games

On June 3, 2010, MOC promulgated the *Provisional Measures on the Administration of Online Games*, amended on December 15, 2017 and last repealed by the Decision of *the Ministry of Culture and Tourism to Repeal the Measures for the Administration of Online Games and the Measures for the Administration of Tourism Development Plans*, which became effective on July 10, 2019. Pursuant to the *Provisional Measures on the Administration of Online Games*, the contents of the online games are subject to the review of MOC. In accordance with these measures, ICP service operators engaging in any activities involving the operation of online games, issuance or trading of virtual currency must obtain the Online Culture Operating Permit and handle the censorship procedures for imported online games and the filing procedures for domestically developed online games with MOC and its provincial counterparts. Regarding virtual currency trading, ICP service operators can only issue virtual currency in exchange of the service provided by itself rather than trading for service or products provided by third parties. To comply with these laws and regulations, Shenzhen Xunlei, Xunlei Games, and Shenzhen Wangwenhua had obtained an Online Culture Operating Permit for our operation of online games.

Further, the online publication of online games is subject to the regulation of SAPPRFT, under the *Administrative Provisions on Online Publishing Services* and ICP service operators must obtain the Internet Publishing Services License prior to provision of any online game publishing services. On September 28, 2009, GAPPRFT, the National Copyright Administration and the National Office of Combating Pornography and Illegal Publications jointly published the *Notice Regarding the Consistent Implementation of the “Stipulations on ‘Three Provisions’ of the State Council and the Relevant Interpretations of the State Commission Office for Public Sector Reform and the Further Strengthening of the Administration of Pre-examination and Approval of Internet Games and the Examination and Approval of Imported Internet Games”*, or the Notice of Three Provisions and Internet Games, which expressly requires that all online games need to be approved by GAPPRFT through the advanced approvals before they are operated online, and any updated online game versions or any change to the online games shall be subject to further advanced approvals before they can be operated online. In addition, foreign investors are prohibited from operating online games by the forms of foreign invested enterprises. The indirect functions such as contractual control and technology supply are also prohibited.

On May 14, 2019, the MOCT issued a notice announcing the adjustment of the scope of business activities that are subject to the MOCT’s approval for Online Culture Operation License. Pursuant to the notice, the MOCT will no longer be responsible for issuing Online Culture Operation License to companies operating online games and issuance and trading of virtual currency in connection with online game operations. On July 10, 2019, the MOCT abolished the Provisional Measures on the Administration of Online Games, which required online game operators to obtain Online Culture Operation License for operating online games and issuance and trading of virtual currency in connection with online game operations. As a result, Online Culture Operation License is no longer required for online game operators.

Our online game services are operated by Shenzhen Wangwenhua, Shenzhen Xunlei and Xunlei Games. Each of these online game operating subsidiaries has obtained a VATS License for operating our online games; and Shenzhen Xunlei, holding 100% of the equity interest in Shenzhen Wangwenhua and 70% of the equity interest in Xunlei Games, has obtained an Internet Publishing Services License for the publication of internet games, with an expiry date of September 17, 2022. However, neither Shenzhen Wangwenhua nor Xunlei Games has obtained an Internet Publishing Services License. Given the uncertainties of interpretation and implementation of relevant laws and regulations and the enforcement practices of relevant government authorities, we cannot assure you that Shenzhen Wangwenhua and Xunlei Games are not required to obtain Internet Publishing Services Licenses as well. For risks relating to the Internet Publishing Services License, see “Item 3. Key Information—D. Risk factors—Risks related to our business—We may not be able to successfully address the challenges and risks we face in the online games market, such as a failure to operate popular, high-quality games or to obtain all the licenses required to operate online games, which may subject us to penalties from relevant authorities, including the discontinuance of our online game business.”

Regulation on anti-fatigue system, real-name registration system and parental guardianship project

In April 2007, GAPPRT and several other government agencies issued a circular requiring the implementation of an anti-fatigue system and a real-name registration system by all PRC online game operators to curb addictive online game playing by minors. Under the anti-fatigue system, three hours or less of continuous playing by minors, defined as game players under 18 years of age, is considered to be “healthy,” three to five hours to be “fatiguing,” and five hours or more to be “unhealthy.” Game operators are required to reduce the value of in-game benefits to a minor player by half if the minor has reached the “fatiguing” level, and to zero once reaching the “unhealthy” level.

To identify whether a game player is a minor and thus subject to the anti-fatigue system, a real-name registration system must be adopted to require online game players to register their real identity information before playing online games. The online game operators are also required to submit the identity information of game players to the public security authority for verification. In July 2011, GAPPRT, together with several other government agencies, jointly issued *the Notice on Initializing the Verification of Real-name Registration for the Anti-Fatigue System on Online Games*, or the Real-name Registration Notice, to strengthen the implementation of the anti-fatigue and real-name registration system. The main purpose of the Real-name Registration Notice is to curb addictive online game playing by minors and protect their physical and mental health. This notice indicates that the National Citizen Identity Information Center of the Ministry of Public Security will verify identity information of game players submitted by online game operators. The Real-name Registration Notice also imposes stringent penalties on online game operators that do not implement the required anti-fatigue and real-name registration systems properly and effectively, including terminating their online game operations.

In January 2011, MOC, together with several other government agencies, jointly issued a *Circular on Printing and Distributing Implementation Scheme regarding Parental Guardianship Project for Minors Playing Online Games* to strengthen the administration of online games and protect the legitimate rights and interests of minors. This circular indicates that online game operators must have person in charge, set up specific service webpages and publicize specific hotlines to provide parents with necessary assistance to prevent or restrict minors’ improper game playing behavior. Online game operators must also submit a report regarding its performance under the Parental Guardianship Project to the local MOC office each quarter.

On February 4, 2015, the CAC promulgated the Administrative Provisions on Account Names of Internet Users, or the Account Names Provisions, which became effective as of March 1, 2015. The Account Name Provisions require internet service providers to authenticate registered users’ identity information and to commit to complying with the “seven basic requirements,” including, among other things, observing the laws and regulations, protecting state interests, as well as ensuring the authenticity of any information they provide. Relevant internet information service providers are responsible for protecting users’ privacy, the consistency between user information, such as account names, avatars, and the requirements set forth in the Account Names Provisions, making reports to the competent authorities regarding any violation of the Account Names Provisions, and taking appropriate measures to stop any such violations, such as, notifying the user to make corrections within a specified time and suspending or closing accounts in the event of continuing non-compliance.

On August 22, 2019, the CAC issued the Regulation on Cyber Protection of Children’s Personal Information, effective on October 1, 2019. Pursuant to this, network operators are required to establish special policies and user agreements to protect children’s personal information, and to appoint special personnel in charge of protecting children’s personal information. Network operators who collect, use, transfer or disclose personal information of children are required to, in a prominent and clear way, notify and obtain consent from children’s guardians.

In October 2019, NPPA issued *the Anti-indulgence Notice*, under which the total period of time for underage users to play online games is strictly restricted. For example, from 22:00 p.m. each day to 8:00 a.m. of the next day, game operators are not allowed to provide underage users with any form of access to online games they operate, and the total length of time for game operators to provide underage users with access to online games cannot exceed three hours a day during statutory holidays or 1.5 hours a day on days other than statutory holidays. The Anti-indulgence Notice also requires game operators to implement the real-name registration system for players of online games and take effective measures to restrict underage players from using paid services that are inconsistent with their capacity for civil conduct.

On August 30, 2021, the NPPA issued the Notice on Further Strict Management to Prevent Minors from Indulging in Online Games, which requires all online game operators to provide services to minors only on any Friday, Saturday, Sunday and statutory holidays from 8:00 p.m. to 9:00 p.m., i.e. for one hour, and not to provide online games in any form to users who have not registered or logged in with their real names. In addition to the real-name registration system already in place, we have adjusted the systems in the games operated by us to comply with the requirements under this notice.

On October 26, 2021, the CAC issued draft Administrative Provisions on the Account Names of Internet Users, revising the Account Names Provisions. This draft provides that when registering an internet account, the user shall execute an agreement with the Internet user account services platform, provide authentic identity information, and obey the rules of the platform for content production and account management, the platform conventions and service agreement. Internet user account service platforms shall establish, improve and strictly implement, among others, account name information management system, information content security system, and personal information protection system. Internet user account service platforms should also establish an account name information dynamic check patrol system for the verification of real identity information, improve their technical measures for purposes of account information legal compliance, and support account name authenticity checks. When an Internet user account is in violation of the provisions of this draft, the Internet user account service platform shall suspend the service and inform the user to correct the issue within a limited time; and if the user refuses to correct it, the account shall be terminated.

For the online games on our platform, we have implemented a real-name registration system for our online games. For game players who do not provide verified identity information, we assume that they are minors under 18 years of age. Online game operators or developers rely on the identify information provide by us to implement their anti-indulgence measures. With respect to anti-indulgence measures, we have cooperated with third parties in developing anti-indulgence measures and are currently working with our third-party online game providers to implement anti-indulgence measures pursuant to the Anti-indulgence Notice. We have completed in preparing application materials and connecting to the national anti-indulgence and real-name registration system. See “Item 3. Key Information—D. Risk Factors—Risks related to our business—We may not be able to successfully address the challenges and risks we face in the online games market, such as a failure to operate popular, high-quality games or to obtain all the licenses required to operate online games, which may subject us to penalties from relevant authorities, including the discontinuance of our online game business.”

Regulation on online game virtual currency

According to the *Notice on Strengthening the Administrative Work on Virtual Currency of Online Games*, pursuant to which no enterprise may concurrently provide both virtual currency issuance service and virtual currency transaction service. The regulations prohibit companies that issue online game virtual currency from providing services that would enable the trading of such virtual currency. Any company that fails to submit the requisite application will be subject to sanctions, including but not limited to termination of operation, confiscation of incomes and fines. The regulations also prohibit online game operators from allocating virtual items or virtual currency to players based on random selection through lucky draw, wager or lottery that involves cash or virtual currency directly paid by the players. In addition, companies that issue online game virtual currency must comply with certain specific requirements, for example,

online game virtual currency can only be used for products and services related to the issuance company's own online games.

On May 14, 2019, the MOCT issued a notice announcing the adjustment of the scope of business activities that are subject to the MOCT's approval for Online Culture Operation License. Pursuant the notice, the MOCT will no longer be responsible for issuing Online Culture Operation License to companies operating online games and issuance and trading of virtual currency in connection with online game operations. On July 10, 2019, the MOCT abolished the Provisional Measures on the Administration of Online Games, which required online game operators to obtain Online Culture Operation License for operating online games and issuance and trading of virtual currency in connection with online game operations. As a result, Online Culture Operation License is no longer required for online game operators.

Since Online Culture Operation License is no longer required for the issuance and trading of virtual currency in connection with online game operations, Xunlei Games did not renew its Online Culture Operation Licenses after expiration.

Regulation on internet publication

NPPA (formerly the SAPPRFT, GAPPRFT) is the government agency responsible for regulating publication activities in the PRC. In February 2016, the SAPPRFT and the MIIT jointly issued the *Administrative Measures on Network Publication*), which took effect in March 2016 and replaced the Internet Publication Measures. Pursuant to the Administrative Measures on Network Publication, Internet publishers shall be approved by and obtain an Internet Publishing Services License from NPPA to engage in network publication service. The network publication services refer to the activities of providing network publications to the public through information networks; and the network publications refer to the digitalized works with the publishing features such as editing, producing and processing. The Administrative Measures on Network Publication also provide the detailed qualifications and application procedures for obtaining an Internet Publishing Services License. The Notice of Three Provisions and Internet Games issued jointly by GAPPRFT and other relevant administrations confirmed that the entities operating internet games must obtain the Internet Publication Services License. On February 21, 2008, the GAPPRFT promulgated the *Rules for the Administration of Electronic Publication*, or the Electronic Publication Rules, which took effect on April 15, 2008 and was amended on August 28, 2015. Under the Electronic Publication Rules and other regulations, online games are classified as a kind of electronic publication, and publishing of online games is required to be conducted by licensed electronic publishing entities that have been issued standard publication codes. Pursuant to the Electronic Publication Rules, if a PRC company is contractually authorized to publish foreign electronic publications, it must obtain the approval of, and register the copyright license contract with, the NPPA.

Shenzhen Xunlei holds the Internet Publishing Services License for the publication of internet games with an expiry date of September 17, 2022. See "Item 3. Key Information—D. Risk factors—We may not be able to successfully address the challenges and risks we face in the online games market, such as a failure to acquire and operate popular, high-quality games or to obtain all the licenses required to operate online games, which may subject us to penalties from relevant authorities, including the discontinuance of our online game business."

Regulations on Algorithm Recommendations

On February 7, 2021, the Anti-Monopoly Commission of the State Council published the Anti-Monopoly Guidelines for the Internet Platform Economy Sector, which stipulates that online platform operators who use technological advantages, such as data and algorithms, to eliminate or restrict competition or impose price restrictions or exclusivity requirements on users, may be deemed as committing an abuse of dominant market position.

On September 17, 2021, the CAC, together with eight other governmental authorities, jointly issued the Guidelines on Strengthening the Comprehensive Regulation of Algorithms for Internet Information Services, which provides that daily monitoring of data use, application scenarios and effects of algorithms shall be carried out by the relevant regulators, and that security assessments of algorithms shall be conducted by the relevant regulators. The guidelines also provide that an algorithm filing system shall be established and classified security management of algorithms shall be promoted.

On December 31, 2021, the CAC, together with the MIIT, the Ministry of Public Security and the SAMR, jointly issued the Administrative Provisions on Algorithm Recommendation of Internet Information Services, with effect from March 1, 2022, which provides that algorithm recommendation service providers are not allowed to use algorithms to register false user accounts, block information, give excessive recommendations, and that users should be given the option to easily turn off algorithm recommendation services.

We have taken several measures to comply these regulations, among others, providing an option for our users to turn off algorithm recommendation services. However, the Administrative Provisions on Algorithm Recommendation of Internet Information Services are relatively new thus uncertainties still exist as to its interpretation, and the potential impact on our business operations is still substantially uncertain. See “Item 3. Key Information—D. Risk Factors—Risks Related to Doing Business in China—We may be adversely affected by PRC regulations to limit the method and manner that the internet companies may apply when using algorithms.”

Regulation on internet privacy

The PRC Constitution states that PRC law protects the freedom and privacy of communications of citizens and prohibits infringement of such rights. In recent years, PRC government authorities have enacted legislation on internet use to protect personal information from any unauthorized disclosure. The Internet Measures prohibit ICP service operators from insulting or slandering a third party or infringing upon the lawful rights and interests of a third party. Pursuant to the BBS Measures, ICP service operators that provide electronic messaging services must keep users’ personal information confidential and must not disclose such personal information to any third party without the users’ consent, unless such disclosure is required by law. The regulations further authorize the relevant telecommunications authorities to order ICP service operators to rectify unauthorized disclosure. ICP service operators are subject to legal liability if the unauthorized disclosure results in damages or losses to users. The PRC government, however, has the power and authority to order ICP service operators to turn over personal information if an internet user posts any prohibited content or engages in illegal activities on the internet. Under the *Several Provisions on Regulating the Market Order of Internet Information Services* issued by MIIT on December 29, 2011, without the consent of a user, an ICP operator may not collect any user personal information or provide any such information to third parties. An ICP service operator shall expressly inform the users of the method, content and purpose of the collection and processing of such user personal information and may only collect such information necessary for the provision of its services. An ICP service operator is also required to properly keep the user personal information, and in case of any leak or likely leak of the user personal information, the ICP service operator shall take immediate remedial measures and in severe consequences, to make an immediate report to the telecommunications regulatory authority. In addition, pursuant to the *Decision on Strengthening the Protection of Online Information* issued by the SCNPC of the PRC on December 28, 2012, or the Decision, and the *Order for the Protection of Telecommunication and Internet User Personal Information* issued by MIIT on July 16, 2013, or the Order, any collection and use of user personal information shall be subject to the consent of the user, abide by the principles of legality, rationality and necessity and be within the specified purposes, methods and scopes. An ICP service operator shall also keep such information strictly confidential, and is further prohibited from divulging, tampering or destroying of any such information, or selling or proving such information to other parties. Any violation of the Decision or the Order may subject the ICP service operator to warnings, fines, confiscation of illegal gains, revocation of licenses, cancellation of filings, closedown of websites or even criminal liabilities.

Pursuant to the *Ninth Amendment to the Criminal Law of the PRC* issued by the SCNPC on August 29, 2015, any internet service provider that fails to fulfill the obligations related to internet information security as required by applicable laws and refuses to take corrective measures, will be subject to criminal liability for (i) any large-scale dissemination of illegal information; (ii) any severe effect due to the leakage of users’ personal information; (iii) any serious loss of evidence of criminal activities; or (iv) other severe situations, and any individual or entity that (a) sells or provides personal information to others unlawfully or (b) steals or illegally obtains any personal information will be subject to criminal liability in severe situations.

The SCNPC promulgated the *Cybersecurity Law of the PRC*, or the Cybersecurity Law, on November 7, 2016. Pursuant to the Cybersecurity Law, network operators shall follow their cybersecurity obligations according to the requirements of the classified protection system for cybersecurity, including: (a) formulating internal security management systems and operating instructions, determining the persons responsible for cybersecurity, and implementing the

responsibility for cybersecurity protection; (b) taking technological measures to prevent computer viruses, network attacks, network intrusions and other actions endangering cybersecurity; (c) taking technological measures to monitor and record the network operation status and cybersecurity incidents; (d) taking measures such as data classification, and back-up and encryption of important data; and (e) other obligations provided by laws and administrative regulations. In addition, network operators shall follow the principles of legitimacy to collect and use personal information and disclose their rules of data collection and use, clearly express the purposes, means and scope of collecting and using the information, and obtain the consent of the persons whose data is gathered.

On November 28, 2019, the Secretary Bureau of the Cyberspace Administration of China, the General Office of the MIIT, the General Office of the Ministry of Public Security and the General Office of the State Administration for Market Regulation promulgated the Identification Method of Illegal Collection and Use of Personal Information Through App, which provides guidance for the regulatory authorities to identify the illegal collection and use of personal information through mobile apps, and for the app operators to conduct self-examination and self-correction and for other participants to voluntarily monitor compliance.

The National Information Security Standardization Technical Committee issued the latest *Standard of Information Security Technology—Personal Information Security Specification*, which came into effect in October, 2020 and replaced the 2017 version. Under such standard, a personal information controller should follow the principles of legality, justification and necessity in handling personal information, obtain a consent from personal information providers and provide the personal information providers an independent choice when the product or service provided by the personal information controller has multiple functions.

On August 20, 2021, the SCNPC promulgated the Personal Information Protection Law of the PRC, or the Personal Information Protection Law, effective from November 1, 2021. The Personal Information Protection Law requires, among others, that (i) the processing of personal information should have a clear and reasonable purpose which should be directly related to the processing purpose, in a method that has the least impact on personal rights and interests, and (ii) the collection of personal information should be limited to the minimum scope necessary to achieve the processing purpose to avoid the excessive collection of personal information. Different types of personal information and personal information processing will be subject to various rules on consent, transfer, and security. Entities handling personal information bear responsibilities for their personal information handling activities, and shall adopt necessary measures to safeguard the security of the personal information they handle. Otherwise, the entities handling personal information could be ordered to correct, or suspend or terminate the provision of services, and face confiscation of illegal income, fines or other penalties. To comply with these laws and regulations, we have established information security systems to protect user's privacy, we also have adopted a risk detection mechanism for data security defects and vulnerabilities, and set up an emergency response mechanism for data security incidents. We also periodically review our privacy policies and amend as needed based on the development and changes of the personal information we will collect and process to ensure that we have comply with relevant requirements including, among others, obtaining users' prior consent to the collection and processing of their personal information before such collecting and processing. However, our system may not be compliant with relevant laws and regulations in all respects. We have been ordered to rectify our app as it failed to explicitly inform users the purpose, method, and scope regarding personal data collection. We will continue to review and amend our privacy policies on our websites and mobile applications periodically based on the development and changes of our business operations so that we obtain proper consents from our users for collecting and using their personal information. See "Item 3. Key Information—D. Risk factors—Risks related to our business—Concerns about collection and use of personal data could damage our reputation, deter current and potential users from using our services and substantially harm our business and results of operations."

Regulation on internet medicine information service

The State Food and Drug Administration, or the SFDA, promulgated *the Administration Measures on Internet Medicine Information Service* on July 8, 2004, which was amended in November 2017, and certain implementing rules and notices thereafter. These measures set out regulations governing the classification, application, approval, content, qualifications and requirements for internet medicine information services. An ICP service operator that provides information regarding medicine or medical equipment must obtain an Internet Medicine Information Service Qualification Certificate from the applicable provincial level counterpart of SFDA. Shenzhen Xunlei has obtained a Medicine

Information Service Qualification Certificate from Guangdong Food and Drug Administration for the provision of internet medical information services with an expiry date of August 21, 2023. Shenzhen Wangwenhua has also obtained a Medicine Information Service Qualification Certificate from Guangdong Food and Drug Administration for the provision of internet medical information services with an expiry date of September 17, 2022.

Regulation on advertising business

The State Administration for Industry and Commerce, or the SAIC, is the government agency responsible for regulating advertising activities in the PRC.

According to the PRC laws and regulations, companies that engage in advertising activities must obtain from SAIC or its local branches a business license which specifically includes operating an advertising business within its business scope. The business license of an advertising company is valid for the duration of its existence, unless the license is suspended or revoked due to a violation of any relevant law or regulation. PRC advertising laws and regulations set forth certain content requirements for advertisements in the PRC including, among other things, prohibitions on false or misleading content, superlative wording, socially destabilizing content or content involving obscenities, superstition, violence, discrimination or infringement of the public interest. Advertisers, advertising agencies, and advertising distributors are required by PRC advertising laws and regulations to ensure that the content of the advertisements they prepare or distribute is true and in full compliance with applicable law. In providing advertising services, advertising operators and advertising distributors must review the supporting documents provided by advertisers for advertisements and verify that the content of the advertisements complies with applicable PRC laws and regulations. Prior to distributing advertisements that are subject to government censorship and approval, advertising distributors are obligated to verify that such censorship has been performed and approval has been obtained. The release or delivery of advertisements through the Internet shall not impair the normal use of the network by users. The advertisements released in pop-up form on the webpage of the Internet and other forms shall indicate the close flag in prominent manner and ensure one-key close. Violation of these regulations may result in penalties, including fines, confiscation of advertising income, orders to cease dissemination of the advertisements and orders to publish an advertisement correcting the misleading information. In circumstances involving serious violations, SAIC or its local branches may revoke violators' licenses or permits for their advertising business operations.

In July 2016, the SAIC issued *the Interim Measures for the Administration of Internet Advertising to regulate internet advertising activities*. According to these measures, no advertisement of any medical treatment, medicines, food for special medical purpose, medical apparatuses, pesticides, veterinary medicines, dietary supplement or other special commodities or services subject to examination by an advertising examination authority as stipulated by laws and regulations may be published unless the advertisement has passed such examination. In addition, no entity or individual may publish any advertisement of over-the-counter medicines or tobacco on the internet. An internet advertisement must be identifiable and clearly identified as an "advertisement" to the consumers. Paid search advertisements are required to be clearly distinguished from natural search results. In addition, the following internet advertising activities are prohibited: providing or using any applications or hardware to intercept, filter, cover, fast forward or otherwise restrict any authorized advertisement of other persons; using network pathways, network equipment or applications to disrupt the normal data transmission of advertisements, alter or block authorized advertisements of other persons or load advertisements without authorization; or using fraudulent statistical data, transmission effect or matrices relating to online marketing performance to induce incorrect quotations, seek undue interests or harm the interests of others. Internet advertisement publishers are required to verify relevant supporting documents and check the content of the advertisement and are prohibited from publishing any advertisement with unverified content or without all the necessary qualifications. Internet information service providers that are not involved in internet advertising business activities but simply provide information services are required to block any attempt to publish an illegal advertisement that they are aware of or should reasonably be aware of through their information services.

Since we have outsourced our advertising business to Itui in 2020, we do not operate advertising business on our own. We have required Itui to set up an effective review mechanism for each advertisement it places on our websites and platform, and to ensure the contents are truthful, accurate, and in full compliance with relevant laws and regulations. See "Item 3. Key Information—D. Risk factors—Risks related to our business—Advertisements displayed on our platform may subject us to penalties and other administrative actions."

Regulation on information security and censorship

The applicable PRC laws and regulations specifically prohibit the use of internet infrastructure where it may breach public security, provide content harmful to the stability of society or disclose state secrets. According to the Measures for the Administration of Computer Information Network and International Networking Security Protection, which was issued by the State Council on January 8, 2011 and other relevant regulations, it is mandatory for internet companies in the PRC to complete security filing procedures and regularly update information security and censorship systems for their websites with the local public security bureau. In addition, the amended *Law on Preservation of State Secrets* which became effective on October 1, 2010 provides that whenever an internet service provider detects any leakage of state secrets in the distribution of online information, it should stop the distribution of such information and report to the authorities of state security and public security. As per request of the authorities of state security, public security or state secrecy, the internet service provider should delete any content on its website that may lead to disclosure of state secrets.

On June 28, 2016, the CAC issued the *Administrative Provisions on Mobile Internet Applications Information Services*, which became effective on August 1, 2016, to further strengthen the administration over the mobile internet application information services. Pursuant to these provisions, owners or operators of mobile internet applications that provide information services are required to be responsible for information security management, which, among others, includes the following:

- certifying the identification information of the registered users;
- establishing and improving the protective mechanism for users information, following the principle of legality, rightfulness and necessity, and expressly stating the purpose, method and scope of, and obtaining user consent to, the collection and use of users' personal information; and
- establishing and improving the verification mechanism for the content, taking measures against any illegal content, keeping the relevant records and reporting such content to relevant competent authorities.

On November 7, 2016, the SCNPC promulgated the *Cyber Security Law of the People's Republic of China*, or Cyber Security Law, which became effective on June 1, 2017 to protect cyberspace security and order. Pursuant to the Cyber Security Law, any individual or organization using the network must comply with the constitution and the applicable laws, follow the public order and respect social moralities, and must not endanger cyber security, or engage in activities by making use of the network that endanger the national security, honor and interests, or infringe on the fame, privacy, intellectual property and other legitimate rights and interests of others. In addition, the new Cyber Security Law requires network operators must not collect personal information irrelevant to their services. The network operators are required to strictly keep confidential users' personal information that they have collected and to establish and improve user information protective mechanism. In the event of any unauthorized disclosure, damage or loss of collected personal information, network operators must take immediate remedial measures, notify the affected users and report the incidents to the relevant authorities in a timely manner.

On August 25, 2017, the CAC promulgated the *Provisions on the Administration of Internet Comments Posting Services*, which became effective on October 1, 2017. According to such provisions, internet comments posting services refer to the services of publishing transcripts, symbols, expressions, pictures, audio and video and other information offered by Internet websites, applications, interactive communication platforms and other types of communication platforms with news and public opinion property and social mobilization function by way of post, reply, message, bullet screen and using other means. Providers of the internet comments posting services shall strictly assume the primary responsibilities and discharge the following obligations accordingly:

- verify the real identity information of registered users following the principle of using real name at foreground and volunteering to do so at background and forbid the provision of internet comments posting services for users whose real identity information is not verified;
- establish and improve a user information protection system;

- establish a system to review new comments before they are published when providing internet comments posting services;
- establish and improve an internet comments posting review and management, real-time check, emergency response and other information security management systems, timely identify and process illicit information and submit a report to the relevant competent authorities;
- develop information protection and management technologies for the internet comments posting, timely identify security flaws and bugs and other risks in internet comments posting services, take remedial measures and submit a report to the relevant competent authorities; and
- set up a reviewing and editing team and improve the professionalism of editors.

In addition, on August 25, 2017, the CAC promulgated the *Administrative Provisions on Internet Forum and Community Services*, which became effective on October 1, 2017, pursuant to which the internet forum and community service providers shall assume the primary responsibility for establishing and improving the information inspection and verification, public information real-time check, emergency response and personal information protection and other information security management systems, put in place safe and controllable preventative measures, employ professionals based on service scope, and provide necessary technical support for the relevant departments in performing duties according to the law. The internet forum and community service providers shall not use internet forum and community services to publish or disseminate information banned by laws, regulations and the relevant provisions of the state. Where the internet forum and community service providers identify any aforementioned information, they shall cease the transmission of such information forthwith, delete and take other measures, retain the relevant records and timely submit a report to the CAC or its local branches.

Violation of these laws and provisions may result in penalties, including fines, confiscation of illegal income. In the case of serious violations, the competent telecommunication authority, public security authority and other relevant authorities may suspend relevant business, rectification or close down the website, or revoke licenses or permits for their business operations.

We are subject to the laws and regulations relating to information security and censorship. To comply with these laws and regulations, we have completed the mandatory security filing procedures with the local public security authorities, and regularly update its information security and content-filtering systems with newly issued content restrictions as required by the relevant laws and regulations, such as the Measures for the Administration of Computer Information Network and International Networking Security Protection. Although instances in the past have suggested that our information security and content-filtering systems may not be compliant with relevant laws and regulations in all respects, we strive to improve our systems by continuously implementing additional protective and examining measures to reduce the risk of cyber-incidents and to detect improper or illegal contents. See “Item 3. Key Information-D. Risk factors-Risks related to our business-System failure, interruptions and downtime, including those caused by cyber-attacks or security breaches, can result in user dissatisfaction, adverse publicity or leakage of confidential information of our users and customers, and our business, financial condition, results of operations may be materially and adversely affected.”

On June 10, 2021, the Standing Committee of the National People’s Congress promulgated the Data Security Law, which took effect on September 1, 2021. The Data Security Law establishes a classified and tiered system for data protection based on the level of importance of the data in the economic and social development, as well as the level of danger of the data imposed on national security, public interests, or the legal interests of individuals and organizations upon any manipulation, destruction, leakage, illegal acquisition or illegal usage. Furthermore, it is specified that the Cyber Security Law applies to the security administration of the cross-border transfer of important data collected and generated by operators of “critical information infrastructure” during their operations in China.

On November 14, 2021, the CAC published a discussion draft of Management Measures for Internet Data Security or the Draft Measures for Internet Data Security, which provides that data processors conducting the following activities shall apply for cybersecurity review: (i) merger, reorganization or separation of Internet platform operators that have acquired a large number of data resources related to national security, economic development or public interests

affects or may affect national security; (ii) listing abroad of data processors processing over one million users' personal information; (iii) listing in Hong Kong which affects or may affect national security; (iv) other data processing activities that affect or may affect national security. The Draft Measures for Internet Data Security also provide that operators of large Internet platforms that set up headquarters, operation centers or R&D centers overseas shall report to the national cyberspace administration and competent authorities.

In addition, the Draft Measures for Internet Data Security requires data processors processing over one million users' personal information to comply with the regulations on important data processors, including, among others, appointing a person in charge of data security and establishing a data security management organization, filing with the competent authority within fifteen working days after identifying its important data, formulating data security training plans and organizing data security education and training for all staff every year, and that the education and training time of data security related technical and management personnel shall not be less than 20 hours per year. The Draft Measures for Internet Data Security also state that data processors processing important data or going public overseas shall conduct an annual data security assessment by themselves or entrust a data security service institution to do so, and submit the data security assessment report of the previous year to the local branch of CAC before January 31 of each year.

Further, the Draft Measures for Internet Data Security also require Internet platform operators to establish platform rules, privacy policies and algorithm strategies related to data, and solicit public comments on their official websites and personal information protection related sections for no less than 30 working days when they formulate platform rules or privacy policies or makes any amendments that may have a significant impact on users' rights and interests. Further, platform rules and privacy policies formulated by operators of large Internet platforms with more than 100 million daily active users, or amendments to such rules or policies by operators of large Internet platforms with more than 100 million daily active users that may have significant impacts on users' rights and interests shall be evaluated by a third-party organization designated by the CAC and reported to local branch of the CAC for approval. The CAC solicited comments on this draft, but there is no timetable as to when it will be enacted.

On December 28, 2021, the CAC, the NDRC, the MIIT, and several other authorities jointly promulgated the Cybersecurity Review Measures, or the Review Measures, which became effective on February 15, 2022. The Review Measures, upon effectiveness, will replace a previous version promulgated on April 13, 2020. According to the Review Measures, (i) when the purchase of network products and services by a critical information infrastructures operator or the data processing activities conducted by a network platform operator affect or may affect national security, a cybersecurity review shall be conducted pursuant to the Review Measures. The aforesaid operators shall file for a cybersecurity review with Cybersecurity Review Office under the CAC if their behavior affects or may affect national security; (ii) an application for cybersecurity review shall be made by an issuer who is a network platform operator holding personal information of more than one million users before such issuer applies to list its securities on a foreign stock exchange; and (iii) the relevant PRC governmental authorities may initiate cybersecurity review if such governmental authorities determine that the issuer's network products or services, or data processing activities affect or may affect national security. Cybersecurity reviews focus on assessing the following national security risks factors associated with relevant objects or circumstances: (i) the risk of illegal control, interference or destruction of critical information infrastructure, arising from the purchase and utilization of network products and services; (ii) the harm on the business continuity of critical information infrastructure incurring from a disruption of network products and services supply; (iii) the safety, openness, transparency, diversity of sources of network products and services; the reliability of suppliers; and the risk of supply disruption due to political, diplomatic, trade and other reasons; (iv) the level of compliance with the PRC laws, administrative regulations and ministry rules of the suppliers of network products and services; (v) the risk of core data, important data or a large amount of personal information being stolen, leaked, destroyed, and illegally used or illegally exited the country; (vi) the risk of critical information infrastructure, core data, important data or a large amount of personal information being affected, controlled, or maliciously used by foreign governments and the network information security risk in relation to listing abroad; and (vii) other factors that may harm critical information infrastructure, cyber security and/or data security.

Regulation on torts

The Tort Law was promulgated by the SCNPC on December 26, 2009 and became effective on July 1, 2010. In May 2020, the NPC promulgated the Civil Code of the PRC, which became effective on January 1, 2021 and replaced the

Tort Law. Under Civil Code of the PRC, internet users and internet service providers shall bear tortious liability in the event they infringe upon other people's civil rights and interests through the internet. Where an internet user is infringing upon the civil rights or interests of another person via internet, the injured party shall have the right to demand the relevant internet service provider to take necessary measures such as deleting the infringing content, etc. by serving the internet service provider a notice. Where the internet service provider fails to take any necessary measures, it shall be jointly and severally liable with the internet user for any additional injury or damage incurred thereafter. Under the circumstance that the internet service provider is aware that an internet user is infringing upon the civil rights or interests of another person and fails to take necessary measures, the internet service provider shall be jointly liable for such infringement with such internet user.

Regulation on intellectual property rights

The PRC has adopted comprehensive legislation governing intellectual property rights, including copyrights, patents, trademarks and domain names.

Copyright law

Under the *Copyright Law* (1990), as revised in 2001, 2010 and 2020, and its related *Implementing Regulations* (2002), as revised in 2013, creators of protected works enjoy personal and property rights, including, among others, the right of dissemination via information network of the works. The term of a copyright, other than the rights of authorship, alteration and integrity of an author which shall be unlimited in time, is life plus 50 years for individual authors and 50 years for corporations.

To address the problem of copyright infringement related to content posted or transmitted on the internet, the PRC National Copyright Administration and MIIT jointly promulgated the *Measures for Administrative Protection of Copyright Related to Internet* on April 30, 2005. These measures, which became effective on May 30, 2005, apply to acts of automatically providing services such as uploading, storing, linking or searching works, audio or video products, or other contents through the internet based on the instructions of internet users who publish contents on the internet, without editing, amending or selecting any transmitted content. When imposing administrative penalties upon the act which infringes upon any users' right of communication through information networks, the *Measures for Imposing Copyright Administrative Penalties*, promulgated in 2009, shall be applied.

Pursuant to the *Regulation on Protection of the Right of Communication through Information Network* (2006), as amended in 2013, an ICP service provider may be exempted from indemnification liabilities under certain circumstances:

- any ICP service provider, who provides automatic internet access service upon instructions of its users or provides automatic transmission service of works, performance and audio-visual products provided by its users, will not be required to assume the indemnification liabilities if (i) it has not chosen or altered the transmitted works, performance and audio-visual products; and (ii) it provides such works, performance and audio-visual products to the designated user and prevents any person other than such designated user from obtaining the access.
- any ICP service provider who, for the sake of improving network transmission efficiency, automatically provides to its own users, based on the technical arrangement, the relevant works, performances and audio-visual products obtained from any other ICP service providers will not be required to assume the indemnification liabilities if (i) it has not altered any of the works, performance or audiovisual products that are automatically stored; (ii) it has not affected such original ICP service provider in grasping the circumstances where the users obtain the relevant works, performance and audio-visual products; and (iii) when the original ICP service provider revises, deletes or shields the works, performance and audio-visual products, it will automatically revise, delete or shield the same based on the technical arrangement.
- any ICP service provider, who provides its users with information memory space for such users to provide the works, performance and audio-visual products to the general public via the information network, will not be required to assume the indemnification liabilities if (i) it clearly indicates that the information memory space is provided to the users and publicizes its own name, contact person and web address; (ii) it has not altered the

works, performance and audio-visual products that are provided by the users; (iii) it is not aware of or has no reason to know the infringement of the works, performance and audio-visual products provided by the users; (iv) it has not directly derived any economic benefit from the provision of the works, performance and audio-visual products by its users; and (v) after receiving a notice from the right holder, it has deleted such works, performance and audio-visual products as alleged for infringement pursuant to such regulation.

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

In December 2012, the Supreme People’s Court of China promulgated the *Provisions on Certain Issues Related to the Application of Law in the Trial of Civil Cases Involving Disputes over Infringement of the Right of Dissemination through Information Networks*, which provides that the courts will require ICP service providers to remove not only links or content that have been specifically mentioned in the notices of infringement from rights holders, but also links or content they “should have known” to contain infringing content. The provisions further provide that where an ICP service provider has directly obtained economic benefits from any content made available by an internet user, it has a higher duty of care with respect to internet users’ infringement of third-party copyrights.

To comply with these laws and regulations, we have implemented internal procedures to monitor and review the contents on our websites and platforms and remove any infringing content promptly after we receive notice of infringement from the legitimate rights holder.

Patent law

The NPC adopted *the Patent Law* in 1984, and amended it in 1992, 2000, 2008 and 2020, respectively. A patentable invention, utility model or design must meet three conditions: novelty, inventiveness and practical applicability. Patents cannot be granted for scientific discoveries, rules and methods for intellectual activities, methods used to diagnose or treat diseases, animal and plant breeds or substances obtained by means of nuclear transformation or designs that are mainly used for marking the pattern, color or combination of these two of prints. The Patent Office under the CNIPA is responsible for receiving, examining and approving patent applications. A patent is valid for a twenty-year term in the case of an invention and a ten-year term in the case of a utility model and a fifteen-year term in the case of a design, starting from the application date. A third-party user must obtain consent or a proper license from the patent owner to use the patent except for certain specific circumstances provided by law. Otherwise, the use will constitute an infringement of the patent rights. As of December 31, 2021, we had 192 registered patents in the PRC and 444 patent applications were being examined by the Patent Office under the CNIPA.

Trademark law

Registered trademarks are protected under *the Trademark Law* adopted in 1982 and amended in 1993, 2001 2013 and 2019 and its implementation rules. The Trademark Office of CNIPA is responsible for the registration and administration of trademarks throughout the PRC. The Trademark Law has adopted a “first-to-file” principle with respect to trademark registration. Where a trademark for which a registration has been made is identical or similar to another trademark that has already been registered or been subject to a preliminary examination and approval for use on the same kind of or similar commodities or services, the application for registration of such trademark may be rejected. Any person applying for the registration of a trademark shall not prejudice the existing right of others obtained by priority, nor shall any person register in advance a trademark that has already been used by another person and has already gained “sufficient degree of reputation” through that person’s use. After receiving an application, the PRC Trademark Office will make a public announcement if the relevant trademark passes the preliminary examination. Within three months after such public announcement, any person may file an opposition against a trademark that has passed a preliminary examination. The PRC Trademark Office’s decisions on rejection, opposition or cancellation of an application may be appealed to the PRC Trademark Review and Adjudication Board, whose decision may be further appealed through judicial proceedings. If no opposition is filed within three months after the public announcement period or if the opposition has been overruled, the

PRC Trademark Office will approve the registration and issue a registration certificate, upon which the trademark is registered and will be effective for a renewable ten-year period, unless otherwise revoked. As of December 31, 2021, we had 482 trademarks registered in different applicable trademark categories in China, and one trademark registered with World Intellectual Property Organization. We had applied for registration of 61 trademarks in China.

Domain name

The domain names are protected under the *Administrative Measures on the Internet Domain Names* promulgated by MIIT on August 24, 2017 and effective on November 11, 2017. MIIT is the major regulatory body responsible for the administration of the PRC internet domain names, under supervision of which China Internet Network Information Center, or CNNIC, is responsible for the daily administration of CN domain names and Chinese domain names. On June 18, 2019, CNNIC issued the *Implementing Rules of National Top-Level Domain Names Registration*, Pursuant to the *Administrative Measures on the Internet Domain Names* and the *Implementing Rules of National Top-Level Domain Names Registration*, the registration of domain names adopts the “first to file” principle and the registrant shall complete the registration via the domain name registration service institutions. We have registered “[xunlei.com](#)” and other domain names.

Regulation on tax

PRC enterprise income tax

The PRC enterprise income tax is calculated based on the taxable income determined under the PRC laws and accounting standards. On March 16, 2007, the NPC enacted a new *PRC Enterprise Income Tax Law*, or the EIT Law, which became effective on January 1, 2008 and last revised on December 2018. On December 6, 2007, the State Council promulgated the *Implementation Rules to the PRC Enterprise Income Tax Law*, or the Implementation Rules, which also became effective on January 1, 2008 and last revised on April 23, 2019. On December 26, 2007, the State Council issued the *Notice on Implementation of Enterprise Income Tax Transition Preferential Policy under the PRC Enterprise Income Tax Law*, or the Transition Preferential Policy Circular, which became effective simultaneously with the EIT Law. The EIT Law imposes a uniform enterprise income tax rate of 25% on all domestic enterprises, including foreign-invested enterprises unless they qualify for certain exceptions, and terminates most of the tax exemptions, reductions and preferential treatments available under previous tax laws and regulations. Under the EIT Law and the Transition Preferential Policy Circular, enterprises that were established before March 16, 2007 and already enjoyed preferential tax treatments will continue to enjoy them (i) in the case of preferential tax rates, for a period of five years from January 1, 2008; during the five-year period, the tax rate will gradually increase from 15% to 25%, or (ii) in the case of preferential tax exemption or reduction for a specified term, until the expiration of such term. In addition, the EIT Law and its implementation rules permit qualified high and new technology enterprises, or HNTEs, to enjoy a reduced enterprise income tax rate of 15%.

Moreover, under the EIT Law, enterprises organized under the laws of jurisdictions outside China with their “de facto management bodies” located within China may be considered PRC resident enterprises and therefore subject to PRC enterprise income tax at the rate of 25% on their worldwide income. The Implementation Rules define the term “de facto management body” as the management body that exercises full and substantial control and overall management over the business, productions, personnel, accounts and properties of an enterprise. In addition, the *Circular Related to Relevant Issues on the Identification of a Chinese holding Company Incorporated Overseas as a Residential Enterprise under the Criterion of De Facto Management Bodies* issued by the SAT on April 22, 2009 provides that a foreign enterprise controlled by a PRC enterprise or a PRC enterprise group will be classified as a “resident enterprise” with its “de facto management bodies” located within China if the following requirements are satisfied: (i) the senior management and core management departments in charge of its daily operations function mainly in the PRC; (ii) its financial and human resources decisions are subject to determination or approval by persons or bodies in the PRC; (iii) its major assets, accounting books, company seals, and minutes and files of its board and shareholders’ meetings are located or kept in the PRC; and (iv) at least half of the enterprise’s directors or senior management with voting rights reside in the PRC. Although the circular only applies to offshore enterprises controlled by PRC enterprises or PRC enterprise groups and not those controlled by PRC individuals or foreigners, the determining criteria set forth in the circular may reflect the SAT’s general position on how the “de facto management body” text should be applied in determining the tax resident status of offshore enterprises, regardless of whether they are controlled by PRC enterprises, individuals or foreigners.

In April 2020, the Ministry of Finance, the State Taxation Administration and the National Development and Reform Commission issued *the Announcement on Continuing the Enterprise Income Tax Policies for the Large-Scale Development of Western China*, which became effective on January 1, 2021, allowing enterprises operated in an encouraged industry that is established in western China to pay the enterprise income tax at a reduced rate of 15% from January 1, 2021 to December 31, 2030.

Although we are not controlled by a PRC enterprise or PRC enterprise group and we do not believe that we meet all of the above-mentioned conditions, substantial uncertainty exists as to whether we will be deemed a PRC resident enterprise for enterprise income tax purpose. In the event that we are considered a PRC resident enterprise, we would be subject to the PRC enterprise income tax at the rate of 25% on our worldwide income, but the dividends that we receive from our PRC subsidiaries would be exempt from the PRC withholding tax since such income is exempted under the PRC Enterprise Income Tax Law for a PRC resident enterprise recipient. See “Item 3. Key Information—D. Risk factors—Risks related to doing business in China—Our global income may be subject to PRC taxes under the PRC EIT Law, which may have a material adverse effect on our results of operations.”

Under applicable PRC tax laws and regulations, arrangements and transactions among related parties may be subject to audit or scrutiny by the PRC tax authorities within ten years after the taxable year when the arrangements or transactions are conducted. We could face material and adverse tax consequences if the PRC tax authorities were to determine that the contractual arrangements among Giganology Shenzhen, our wholly owned subsidiary in China and Shenzhen Xunlei, the variable interest entity in China and its shareholders were not entered into on an arm’s-length basis and therefore constituted unfavorable transfer pricing arrangements. Unfavorable transfer pricing arrangements could, among other things, result in an upward adjustment to the tax liability of Shenzhen Xunlei, and the PRC tax authorities may impose interest on late payments on Shenzhen Xunlei for the adjusted but unpaid taxes. Our results of operations may be materially and adversely affected if Shenzhen Xunlei’s tax liabilities increase significantly or if it is required to pay interest on late payments.

PRC value added tax

On May 24, 2013, the Ministry of Finance, or the MOF, and the SAT issued the *Circular on Tax Policies in the Nationwide Pilot Collection of Value Added Tax in Lieu of Business Tax in the Transportation Industry and Certain Modern Services Industries*, or the Pilot Collection Circular. The scope of certain modern services industries under the Pilot Collection Circular extends to the inclusion of radio and television services. On March 23, 2016, the MOF and the SAT jointly issued the Circular on the Pilot Program for Overall Implementation of the Collection of Value Added Tax Instead of Business Tax, or Circular 36, which took effect on May 1, 2016. Pursuant to the Circular 36, all of the companies operating in construction, real estate, finance, modern service or other sectors which were required to pay business tax are required to pay VAT, in lieu of business tax. The VAT rate is 6%, except for rate of 11% for real estate sale, land use right transferring and providing service of transportation, postal sector, basic telecommunications, construction, real estate lease; rate of 17% for providing lease service of tangible property; and rate of zero for specific cross-bond activities.

On April 4, 2018, the Ministry of Finance and the State Administration of Taxation issued *the Circular on Adjustment of VAT Rates*, which became effective on May 1, 2018. According to *the Circular on the Adjustment of VAT Rates*, relevant VAT rates have been reduced since May 1, 2018, such as (i) VAT 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; and (ii) VAT rate of 11% originally applicable to the taxpayers who purchase agricultural products is adjusted to 10%.

On March 20, 2019, the Ministry of Finance, the State Administration of Taxation and the General Administration of Customs of the PRC issued *the Announcement on Relevant Policies for Deepening Value-Added Tax Reform*, which became effective on April 1, 2019. According to *the Announcement on Relevant Policies for Deepening Value-Added Tax Reform*, starting from April 1, 2019, the VAT rate of 10% was adjusted to 9% while the VAT rate of 16% was adjusted to 13%.

PRC dividend withholding tax

Under the PRC tax laws effective prior to January 1, 2008, dividends paid to foreign investors by foreign-invested enterprises were exempt from PRC withholding tax. Pursuant to the EIT Law and the Implementation Rules, dividends generated after January 1, 2008 and payable by a foreign-invested enterprise in China to its foreign enterprise investors are subject to a 10% withholding tax, unless any such foreign investor's jurisdiction of incorporation has a tax treaty with China that provides for a different withholding arrangement. Under the China-HK Taxation Arrangement, income tax on dividends payable to a company resident in Hong Kong that holds more than a 25% equity interest in a PRC resident enterprise may be reduced to a rate of 5%. In February 2018, the SAT issued a new circular on issues relating to "beneficial owner" in tax treaties, or Circular No. 9, which will become effective on April 1, 2018 and replace Circular No. 601. Circular No. 9 provides a more flexible guidance to determine whether the applicant engages in substantive business activities. Furthermore, under the *Administrative Measures for Non-Resident Enterprises to Enjoy Treatments under Tax Treaties*, non-resident taxpayers which satisfy the criteria for entitlement to tax treaty benefits may, at the time of tax declaration or withholding declaration through a withholding agent, enjoy the tax treaty benefits and are subject to further regulation by the tax authorities. If non-resident taxpayers fail to claim the tax treaty benefits with the withholding agent, or the materials and the information contained in the relevant reports and statements provided to the withholding agent do not satisfy the criteria for entitlement to tax treaty benefits, the withholding agent shall withhold tax pursuant to the provisions of PRC tax laws. In addition, according to a tax circular issued by SAT in February 2009, if the main purpose of an offshore arrangement is to obtain a preferential tax treatment, the PRC tax authorities have the discretion to adjust the preferential tax rate enjoyed by the relevant offshore entity. Although Xunlei Computer is currently wholly owned by Xunlei Network HK, we cannot assure you that we will be able to enjoy the preferential withholding tax rate of 5% under the China-HK Taxation Arrangement.

Regulation on labor laws and social insurance

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

In addition, according to the *PRC Social Insurance Law* and the Regulations on the *Administration of Housing Provident Funds* employers in China are obliged to provide employees with welfare schemes covering pension insurance, unemployment insurance, maternity insurance, work-related injury insurance, medical insurance and housing funds.

To comply with these laws and regulations, we have caused all of our full-time employees to enter into labor contracts and provide our employees with the proper welfare and employment benefits.

Regulation on foreign exchange control and administration

Foreign exchange regulation in the PRC is primarily governed by the following regulations:

- *Foreign Exchange Administration Rules*, or the Exchange Rules, promulgated by the State Council on January 29, 1996, which was amended on January 14, 1997 and on August 5, 2008 respectively; and
- *Administration Rules of the Settlement, Sale and Payment of Foreign Exchange*, or the Administration Rules promulgated by the People's Bank of The PRC on June 20, 1996.

Under the Exchange Rules, Renminbi is convertible for current account items, including the distribution of dividends, interest payments, trade and service-related foreign exchange transactions. As for capital account items, such as direct investments, loans, security investments and the repatriation of investment returns, however, the conversion of foreign currency is still subject to the approval of, or registration with, SAFE or its competent local branches; while for the foreign currency payments for current account items, the SAFE approval is not necessary for the conversion of

Renminbi except as otherwise explicitly provided by laws and regulations. Under the Administration Rules, enterprises may only buy, sell or remit foreign currencies at banks that are authorized to conduct foreign exchange business after the enterprise provides valid commercial documents and relevant supporting documents and, in the case of certain capital account transactions, after obtaining approval from SAFE or its competent local branches. Capital investments by enterprises outside of the PRC are also subject to limitations, which include approvals by or registration with the Ministry of Commerce, SAFE and the National Development and Reform Commission, or their respective competent local branches. On July 21, 2005, the PRC government changed its policy of pegging the value of the Renminbi to the U.S. dollar. Under the new policy, the Renminbi is permitted to fluctuate within a band against a basket of certain foreign currencies.

In March 2015, the SAFE issued SAFE Circular No. 19, which took effect on June 1, 2015 and replaced SAFE Circular No. 142. Pursuant to SAFE Circular 19, foreign-invested enterprises may either continue to follow the current payment-based foreign currency settlement system or elect to follow the “conversion-at-will” regime of foreign currency settlement. Where a foreign-invested enterprise follows the conversion-at-will regime of foreign currency settlement, it may convert part or all of the amount of the foreign currency in its capital account into Renminbi at any time. The converted Renminbi will be kept in a designated account labeled as settled but pending payment, and if the foreign-invested enterprise needs to make payment from such designated account, it still needs to go through the review process with its bank and provide necessary supporting documents. SAFE Circular 19, therefore, has substantially lifted the restrictions on the usage by a foreign-invested enterprise of its RMB registered capital converted from foreign currencies. According to SAFE Circular 19, such Renminbi capital may be used at the discretion of the foreign-invested enterprise and the SAFE will eliminate the prior approval requirement and only examine the authenticity of the declared usage afterwards. SAFE subsequently issued the Notice of the State Administration of Foreign Exchange on Reforming and Standardizing the Policy on the Management of Foreign Exchange Settlement under Capital Account, or SAFE Circular No. 16 on June 9, 2016. SAFE Circular 16 provides an integrated standard for conversion of foreign exchange under capital account items (including but not limited to foreign currency capital and foreign debts) on discretionary basis which applies to all enterprises registered in China. SAFE Circular 16 reiterates the principle that RMB converted from foreign currency-denominated capital of a company may not be directly or indirectly used for purposes beyond its business scope or prohibited by PRC laws or regulations, while such converted RMB shall not be provided as loans to its non-affiliated entities, or used for construction and purchase of non-self-used real estate (excluding real estate enterprises) or unless otherwise expressly provided in law, directly or indirectly used in securities investment or other financial management excluding the bank capital preservation products. As SAFE has not provided detailed guidelines with respect to its interpretation or implementation, it is uncertain how these rules will be interpreted and implemented.

On November 19, 2012, SAFE promulgated the *Circular of Further Improving and Adjusting Foreign Exchange Administration Policies on Foreign Direct Investment*, or Circular 59, which became effective on December 17, 2012. Circular 59 substantially amends and simplifies the current foreign exchange procedure. The major developments under Circular 59 are that the opening of various special purpose foreign exchange accounts (e.g. pre-establishment expenses account, foreign exchange capital account, guarantee account) no longer requires the approval of SAFE. Furthermore, multiple capital accounts for the same entity may be opened in different provinces, which was not possible before the issuance of Circular 59. Reinvestment of RMB proceeds by foreign investors in the PRC no longer requires SAFE approval or verification, and remittance of foreign exchange profits and dividends by a foreign-invested enterprise to its foreign shareholders no longer requires SAFE approval.

On May 10, 2013, SAFE promulgated the *Circular on Printing and Distributing the Provisions on Foreign Exchange Administration over Domestic Direct Investment by Foreign Investors and the Supporting Documents*, which specifies that the administration by SAFE or its local branches over direct investment by foreign investors in the PRC shall be conducted by way of registration. Institutions and individuals shall register with SAFE and/or its branches for their direct investment in the PRC. Banks shall process foreign exchange business relating to the direct investment in the PRC based on the registration information provided by SAFE and its branches.

In February 2015, SAFE promulgated the *Circular of the State Administration of Foreign Exchange on Further Simplifying and Improving the Policies Concerning Foreign Exchange Control on Direct Investment*, or SAFE Circular No. 13, which took effect on June 1, 2015. SAFE Circular No. 13 delegates the authority to enforce the foreign exchange registration in connection with the inbound and outbound direct investment under relevant SAFE rules to certain banks

and therefore further simplifies the foreign exchange registration procedures for inbound and outbound direct investment. On April 26, 2016, SAFE issued the Circular of the State Administration of Foreign Exchange on Further Promoting Trade and Investment Facilitation and Improving Authenticity Review, which provides that for outward remittances of the profit equivalent of more than US\$ 50,000 (exclusive) by domestic institutions, banks shall review the relevant board resolution (or the partnership resolution) on profit distribution, the original copies of tax return forms and the financial statements evidencing the profits, in accordance with the principle of authentic transactions.

In January 2017, SAFE promulgated the *Circular on Further Improving the Reform of Foreign Exchange Administration and Optimizing Genuineness and Compliance Verification*, or SAFE Circular 3, which provides several capital control measures with respect to the outbound remittance of profit from domestic entities to offshore entities, including (i) under the principle of genuine transaction, banks should check board resolutions regarding profit distribution, the original version of tax filing records and audited financial statements; and (ii) domestic entities should hold income to account for previous years' losses before remitting the profits. Furthermore, according to SAFE Circular 3, domestic entities should make detailed explanations of the sources of capital and utilization arrangements, and provide board resolutions, contracts and other proof when completing the registration procedures in connection with an outbound investment.

On October 23, 2019, SAFE promulgated the Circular on Further Facilitating Cross-border Trade and Investment, or SAFE Circular 28. Pursuant to SAFE Circular 28, restrictions on domestic equity investments made with capital funds by non-investing foreign-funded enterprises and restrictions on the use of funds in domestic asset realization accounts for foreign exchange settlement are cancelled.

Regulation on foreign exchange registration of offshore investment by PRC residents

On October 21, 2005, SAFE issued the *Circular on Several Issues concerning Foreign Exchange Administration for Domestic Residents to Engage in Financing and in Return Investments via Overseas Special Purpose Companies*, or Circular No. 75, which went into effect on November 1, 2005. Circular No. 75 and related rules provide that if PRC residents establish or acquire direct or indirect interests of offshore special purpose companies, or offshore SPVs, for the purpose of financing these offshore SPVs with assets of, or equity interests in, an enterprise in the PRC, or inject assets or equity interests of PRC entities into offshore SPVs, they must register with local SAFE branches with respect to their investments in offshore SPVs. Circular No. 75 also requires PRC residents to file changes to their registration if their offshore SPVs undergo material events such as capital increase or decrease, share transfer or exchange, merger or division, long-term equity or debt investments, and provision of guaranty to a foreign party. SAFE promulgated the *Circular on Relevant Issues Concerning Foreign Exchange Control on Domestic Residents' Offshore Investment and Financing and Roundtrip Investment through Special Purpose Vehicles*, or SAFE Circular No. 37, on July 4, 2014, which replaced the SAFE Circular No. 75. SAFE Circular No. 37 requires PRC residents to register with local branches of SAFE in connection with their direct establishment or indirect control of an offshore entity, for the purpose of overseas investment and financing, with such PRC residents' legally owned assets or equity interests in domestic enterprises or offshore assets or interests, referred to in SAFE Circular No. 37 as a "special purpose vehicle." The term "control" under SAFE Circular No. 37 is broadly defined as the operation rights, beneficiary rights or decision-making rights acquired by the PRC residents in the offshore special purpose vehicles or PRC companies by such means as acquisition, trust, proxy, voting rights, repurchase, convertible bonds or other arrangements. SAFE Circular No. 37 further requires amendment to the registration in the event of any changes with respect to the basic information of the special purpose vehicle, such as changes in a PRC resident individual shareholder, name or operation period, or any significant changes with respect to the special purpose vehicle, such as increase or decrease of capital contributed by PRC individuals, share transfer or exchange, merger, division or other material event. If the shareholders of the offshore holding company who are PRC residents do not complete their registration with the local SAFE branches, the PRC subsidiaries may be prohibited from distributing their profits and proceeds from any reduction in capital, share transfer or liquidation to the offshore company, and the offshore company may be restricted in its ability to contribute additional capital to its PRC subsidiaries. Moreover, failure to comply with SAFE registration and the amendment requirements described above could result in liability under PRC law for the evasion of applicable foreign exchange restrictions. On February 13, 2015, SAFE issued SAFE Circular No. 13, which took effect on June 1, 2015. SAFE Circular No. 13 has delegated to the qualified banks the authority to register all PRC residents' investment in "special purpose vehicle" pursuant to the SAFE Circular No. 37, except that those PRC residents who have

failed to comply with the SAFE Circular No. 37 will continue to fall within the jurisdiction of the relevant local SAFE branches and must make their supplementary registration application with such local SAFE branches.

We have requested PRC residents holding direct or indirect interest in our company to our knowledge to make the necessary applications, filings and amendments as required under Circular No. 37 and other related rules. However, we may not be informed of the identities of all the PRC residents holding direct or indirect interest in our company, and we cannot provide any assurances that these PRC residents will comply with our request to make or obtain any applicable registrations or comply with other requirements required by Circular No. 37 or other related rules. The failure or inability of our PRC resident shareholders to make any required registrations or comply with other requirements under Circular No. 37 and other related rules may subject such PRC residents or our PRC subsidiaries to fines and legal sanctions and may also limit our ability to raise additional financing and contribute additional capital into or provide loans to (including using the proceeds from our initial public offering) our PRC subsidiaries, limit our PRC subsidiaries' ability to pay dividends or otherwise distribute profits to us, or otherwise adversely affect us.

Regulation on employee share options

On December 25, 2006, the People's Bank of China promulgated the *Administrative Measures for Individual Foreign Exchange*. On February 15, 2012, SAFE issued the *Notices on Issues concerning the Foreign Exchange Administration for Domestic Individuals Participating in Stock Incentive Plans of Overseas Publicly-Listed Companies, or the Stock Option Rules*, which replaced the *Application Procedures of Foreign Exchange Administration for Domestic Individuals Participating in Employee Stock Ownership Plans or Stock Option Plans of Overseas Publicly-Listed Companies* issued by SAFE on March 28, 2007. Pursuant to the Stock Option Rules, PRC residents who are granted shares or stock options by companies listed on overseas stock exchanges according to the stock incentive plans are required to register with SAFE or its local branches, and PRC residents participating in the stock incentive plans of overseas listed companies shall retain a qualified PRC agent, which could be a PRC subsidiary of such overseas publicly-listed company or another qualified institution selected by such PRC subsidiary, to conduct the SAFE registration and other procedures with respect to the stock incentive plans on behalf of these participants. Such participants must also retain an overseas entrusted institution to handle matters in connection with their exercise of stock options, purchase and sale of corresponding stocks or interests, and fund transfer. In addition, the PRC agents are required to amend the SAFE registration with respect to the stock incentive plan if there is any material change to the stock incentive plan, the PRC agents or the overseas entrusted institution or other material changes. The PRC agents shall, on behalf of the PRC residents who have the right to exercise the employee share options, apply to SAFE or its local branches for an annual quota for the payment of foreign currencies in connection with the PRC residents' exercise of the employee share options. The foreign exchange proceeds received by the PRC residents from the sale of shares under the stock incentive plans granted and dividends distributed by the overseas listed companies must be remitted into the bank accounts in the PRC opened by the PRC agents before distribution to such PRC residents. In addition, the PRC agents shall file each quarter the form for record-filing of information of the Domestic Individuals Participating in the Stock Incentive Plans of Overseas Listed Companies with SAFE or its local branches.

Our PRC citizen employees who have been granted share options or restricted shares, or PRC grantees, are subject to the Stock Option Rules. If we or our PRC grantees fail to comply with the Individual Foreign Exchange Rule and the Stock Option Rules, we and/or our PRC grantees may be subject to fines and other legal sanctions. We may also face regulatory uncertainties that could restrict our ability to adopt additional share incentive plans for our directors and employees under PRC law. In addition, the State Administration for Taxation has issued certain circulars concerning employee share awards. Under these circulars, our employees working in the PRC who exercise share options or hold the vested restricted shares will be subject to PRC individual income tax. Our PRC subsidiaries have obligations to file documents related to employee share awards with relevant tax authorities and to withhold individual income taxes of those employees who exercise their share options or hold the vested restricted shares. If our employees fail to pay or we fail to withhold their income taxes according to relevant laws and regulations, we may face sanctions imposed by the tax authorities or other PRC government authorities.

Regulation on dividend distributions

The Company Law primarily governs the distribution of dividends paid by wholly foreign-owned enterprises after the Foreign Investment Law of the People's Republic of China and Regulation on the Implementation of the Foreign Investment Law of the People's Republic of China came into effect. Under the Company Law, enterprises in the PRC may pay dividends only out of their accumulated profits, if any, as determined in accordance with PRC accounting standards and regulations. In addition, an enterprise in the PRC is required to set aside at least 10% of its after-tax profit based on PRC accounting standards each year to its statutory common reserves until its cumulative total reserve funds reaches 50% of its registered capital.

Regulation on overseas listings

On August 8, 2006, six PRC regulatory agencies, namely, the Ministry of Commerce, the State Assets Supervision and Administration Commission, the State Administration for Taxation, SAIC, CSRC and SAFE, jointly adopted *the Regulations on Mergers and Acquisitions of Domestic Enterprises by Foreign Investors*, or the M&A Rules, which became effective on September 8, 2006 and were amended on June 22, 2009. The M&A Rules purport, among other things, to require that offshore special purpose vehicles, or SPVs, that are controlled by PRC companies or individuals and that have been formed for overseas listing purposes through acquisitions of PRC domestic interest held by such PRC companies or individuals, to obtain the approval of the CSRC prior to publicly listing their securities on an overseas stock exchange. On September 21, 2006, the CSRC published a notice on its official website specifying documents and materials required to be submitted to it by SPVs seeking CSRC approval of their overseas listings. While the application of the M&A Rules remains unclear, our PRC legal counsel has advised us that based on its understanding of the current PRC laws, rules and regulations and the M&A Rules, prior approval from the CSRC is not required under the M&A Rules for the listing and trading of our ADSs on the NASDAQ Global Select Market given that (i) our PRC subsidiaries were directly established by us as wholly foreign-owned enterprises, and we have not acquired any equity interest or assets of a PRC domestic company owned by PRC companies or individuals as defined under the M&A Rules that are our beneficial owners after the effective date of the M&A Rules, and (ii) no provision in the M&A Rules clearly classifies the contractual arrangements as a type of transaction subject to the M&A Rules.

On 24 December 2021, the CSRC and the relevant departments under the State Council published the Provisions of the State Council on the Administration of Overseas Securities Offering and Listing by Domestic Enterprises (Draft for Comments). Pursuant to such Draft, overseas offering and listing of domestic enterprises includes direct or indirect issue of securities overseas or listed for trading in overseas markets by domestic enterprises. Indirect offering and listing of domestic enterprises refer to the indirect issue of securities overseas by domestic enterprises or the listing of their securities for trading overseas, namely enterprises operating their main business domestically issue securities overseas or listing their securities for trading overseas based on equity, assets, gains or other similar interests of domestic enterprises in the name of overseas enterprises. The securities administration department of the State Council undertakes supervision and administration over the overseas offering and listing activities of domestic enterprises according to the law. The relevant competent authorities of the State Council undertake supervision and administration over domestic enterprises offering and listing overseas and securities service institutions providing relevant services in their respective scope of duties according to the law. For overseas offering and listing, domestic enterprises shall implement procedures for filing with the securities administration department of the State Council and report relevant information.

On 24 December 2021, the CSRC published the Administrative Measures for the Filing of Overseas Securities Offerings and Listings by Domestic Enterprises (Draft for Comments). Pursuit to this Administrative Measures, the filing of direct or indirect overseas offering and listing by domestic enterprises shall be conducted according to this Administrative Measures. In the event of indirect overseas offering and listing by domestic enterprises, the issuer shall designate a principal domestic operating entity to implement the filing procedures and report relevant information. Within 3 working days after the overseas submission of the application document for initial public offering and listing, the issuer shall provide the CSRC with filing materials, including but not limited to (1) filing report and relevant commitments; (2) regulatory opinion, filing or approval and other documents issued by the competent authorities of the industry (if applicable); (3) opinion of security assessment and review issued by relevant departments (if applicable); (4) domestic legal opinion; (5) prospectus. For the offering of foreign listed securities after overseas listing, within 3 working days after the completion of offering, the issuer shall provide the CSRC with filing materials, including but not limited to (1) filing report

and relevant commitments; and (2) domestic legal opinion. If the filing materials are complete and requirements are fulfilled, the CSRC will issue the notice for filing within 20 working days and publish the information for filing on website. After the filing by the issuer and before the completion of overseas offering and listing, in the event of any of the following significant events, the issuer shall promptly report to the CSRC and update filing materials within 3 working days from the occurrence of relevant events: (1) material changes in principal business or licenses and qualifications of business; (2) material changes in equity structure or changes in control; (3) material adjustment of the offering and listing plan. In case of any of the following significant events after the overseas listing, the issuer shall report the details to the CSRC within 3 working days from the occurrence of relevant events: (1) changes in control; (2) investigations, penalties and other measures taken by overseas securities administrative authorities or relevant competent authorities; (3) voluntary termination of the listing or mandatory termination of the listing.

What's more, uncertainties also exist as to whether these draft measures to regulate direct or indirect overseas offering and listing would be further amended, revised or updated, their enactment timetable and final content. Given the substantial uncertainties surrounding the latest CSRC filing requirements at this stage, we cannot assure you that, if ever required, we would be able to complete the filings and fully comply with the relevant new rules on a timely basis, if at all. If CSRC or another PRC regulatory agency subsequently determines that prior CSRC approval was required for our initial public offering, we may face regulatory actions or other sanctions from CSRC or other PRC regulatory agencies. These regulatory agencies may impose fines and penalties on our operations, limit our operating privileges, delay or restrict the repatriation of the proceeds from our initial public offering into the PRC or payment or distribution of dividends by our PRC subsidiaries, or take other actions that could materially adversely affect our business, financial condition, results of operations, reputation and prospects, as well as the trading price of our ADSs. In addition, if CSRC later requires that we obtain its approval for our initial public offering, we may be unable to obtain a waiver of CSRC approval requirements, if and when procedures are established to obtain such a waiver. Any uncertainties or negative publicity regarding CSRC approval requirements could have a material adverse effect on the trading price of our ADSs.

Regulations on initial coin offerings

On September 4, 2017, the People's Bank of China, the Office of the Central Leading Group for Cyberspace Affairs, the MIIT, the State Administration for Industry and Commerce, the China Banking Regulatory Commission, the China Securities Regulatory Commission, and the China Insurance Regulatory Commission jointly promulgated the Announcement on Prevention of Token Fundraising Risks to strengthen the administration of the initial coin offerings activities. Pursuant to the announcement, "fundraising through token offerings" is referred to as a type of fundraising activities where an issuer raises "virtual currencies" such as Bitcoin or Ether from investors through the illegal issuance and subsequent circulation of tokens. Pursuant to the announcement, token fundraising activity is essentially an illegal public fundraising activity without obtaining government approval. It is a suspected illegal offering of tokens, illegal offering of securities, illegal fundraising, financial fraud, or pyramid scheme, which are criminal offenses under the PRC law. The announcement prohibits fundraising activities through token issuance. In addition, the announcement also provides that token trading platform should not be engaged in (i) the exchange between any statutory currency with tokens and "virtual currencies," (ii) the trading, either as a central counterparty or not, of the tokens or "virtual currencies," and (iii) token or "virtual currency" pricing, information intermediary services or other services for tokens or "virtual currencies."

On September 15, 2021, the People's Bank of China, the Office of the Central Cyberspace Affairs Commission, the Supreme People's Court, the Supreme People's Procuratorate, the MIIT, the Ministry of Public Security, the State Administration for Market Regulation, the China Banking and Insurance Regulatory Commission, the China Securities Regulatory Commission, and the State Administration of Foreign Exchange jointly promulgated the Circular on Further Preventing and Disposing of Risks in Virtual Currency Trading and Speculation to further strengthen the administration of the virtual currency trading. Pursuit to the Circular, virtual currencies do not have the same legal status as legal currencies and it is strictly prohibited and banned that virtual currency-related business activities are illegal financial activities, including carrying out exchange services between legal currencies and virtual currencies or between virtual currencies, buying and selling virtual currencies as a central counterparty, providing information intermediary and pricing services for virtual currency transactions, token issuance financing, virtual currency derivative transactions and other virtual currency-related business activities are suspected of illegal sale of tokens, unauthorized public issuance of securities, illegal operation of futures business, illegal fundraising and other illegal financial activities. Pursuant to the Circular, if related illegal financial activities constitute a crime, criminal liability shall be investigated in accordance with the law.

We launched the LinkToken business in 2017 and disposed of such business to an independent third party in April 2019. We do not believe that we engaged in token fundraising activities by virtue of carrying out LinkToken operations prior to our disposal of such operations, nor do we believe that we would have been deemed to be a token trading platform, which is operated under a completely different business model. To date, no governmental financial regulators have imposed any administrative penalties against us relating to LinkTokens on the basis that we engaged in token fundraising activities. In April 2020, we launched our own reward program, which allows users to contribute their idle bandwidth capacity in exchange for a small amount of cash rewards. See “Item 4. Information on the Company—B. Business Overview—Our Platform—Cloud Computing” for more information on LinkToken and “Item 3. Key Information—D. Risk Factors—Regulatory uncertainties exist with respect to our previous LinkToken operations, which may have a material adverse effect on our business and results of operations” for regulatory uncertainties and risks relating to our previous LinkToken operations.

Regulation on blockchain information services

On January 10, 2019, the Cyberspace Administration of China, or CAC, issued the Provisions on the Administration of Blockchain Information Services, or the Blockchain Provisions, which came into effect on February 15, 2019. Pursuant to the Blockchain Provisions, a blockchain information service provider is required to file particulars of such service provider including its name, service category, service form, application field, and server address with the blockchain information service filing management system managed by the CAC and go through filing procedures within ten business days after it starts to provide services. After completing the filing procedure, the blockchain information service provider should display the filing number in a conspicuous position on the service provider's websites and applications through which it provides services. Service providers that had already started to provide blockchain information services before the Blockchain Provisions became effective are required to do make-up filings within 20 business days after the Blockchain Provisions became effective. As of the date of this annual report, we had obtained the initial record-filing number.

In addition, the Blockchain Provisions also imposed an array of obligations to the providers of blockchain information services. For example, blockchain information service providers are required to set up various rules and procedures in terms of user registration, information verification, emergency response, and safeguard measures. Blockchain information service providers are also required to formulate and publish blockchain platform management rules and enter into a service agreement with users of blockchain information services. In addition, blockchain information service providers are obligated to verify the real name of the users of blockchain information services and are prohibited to offer services to users who fail to provide information relating to their real identity. Failure to comply with relevant requirements in the Blockchain Provisions may subject blockchain information service providers to administrative penalties such as warning, being ordered to temporarily suspend relevant business operations to rectify within prescribed time period, or fines, or criminal liabilities, depending on which provisions are violated.

On October 24, 2019, the Political Bureau of the CPC Central Committee carried out the 18th collective learning on the current situation and trend of blockchain technology development, and President Xi Jinping emphasized that the

integrated application of blockchain technology played an important role in new technological innovation and industrial transformation in China. On March 12, 2021, the National People's Congress (NPC) of the People's Republic of China published *Outline of the People's Republic of China 14th Five-Year Plan for National Economic and Social Development and Long-Range Objectives for 2035*, which states that PRC will accelerate the promotion of digital industrialization including blockchain and will promote the innovation of blockchain technology such as smart contracts, consensus algorithms, encryption algorithms, and distributed systems, focus on alliance chains to develop blockchain service platforms and application solutions in the fields of fintech, supply chain management, and government services, and improve supervision mechanisms.

On May 27, 2021, the MIIT and the CAC jointly issued *Guiding Opinions on Accelerating the Application of Blockchain Technology and the Development of the Industry*, which states, among others, that the management of blockchain-related intellectual property rights shall be strengthened and risk control mechanisms and technical prevention measures shall be improved. For example, it encourages enterprises to explore and establish a common intellectual property rights protection mechanism through blockchain patent pools, intellectual property rights alliances and other modes. The opinions also emphasize the importance of accelerate the application of blockchain technology and the overall development of the industry.

Regulations on Anti-Money Laundering

On October 31, 2006, the SCNPC issued *the Anti-Money Laundering Law of the PRC*, pursuant to which special non-financial institutions that are required by relevant regulations to perform the obligation of anti-money laundering shall, in accordance with law, perform their anti-money laundering obligation by adopting preventive and monitoring measures and establishing sound systems for distinguishing clients' identities, and preserving the data for clients' identities and records of transactions, and a report system for transactions involving large sums of money and for dubious transactions. The client ID data and transaction information acquired through performing the functions and duties of anti-money laundering according to law shall be kept confidential, and shall not be provided to any unit or individual unless otherwise prescribed by law. Any unit or individual that finds money laundering activities is entitled to report the same to the competent administrative authority of anti-money laundering or judicial organ, and the organs that accept the report shall keep confidential the reporter and the content reported. Advertising in the internet finance area and other publicity behaviors shall be carried out in a lawful, compliant, authentic, and accurate manner. No improper publicity of financial products or business may be carried out.

On June 1, 2021, the People's Bank of China published the *Circular of the People's Bank of China on Seeking Public Comments on the Anti-Money Laundering Law of the People's Republic of China (Revised Draft for Comment)*. Under this draft, enterprises and other market entities shall submit information on beneficial owners through the relevant information system of the market supervision and regulation department. Any enterprises, institutions, or individual that, for the purpose of providing commodities or services, receives and pays in cash instead of through financial institutions and the amount exceeds the prescribed amount shall report to China Anti-Money Laundering Monitoring and Analysis Center. The specific measures for the declaration of large cash receipts and payments shall be formulated by The State Council's anti-money laundering administrative department authorized by The State Council jointly with relevant departments. No enterprise, institution or individual may evade the obligation of reporting large cash receipts and payments by means of splitting cash transactions.

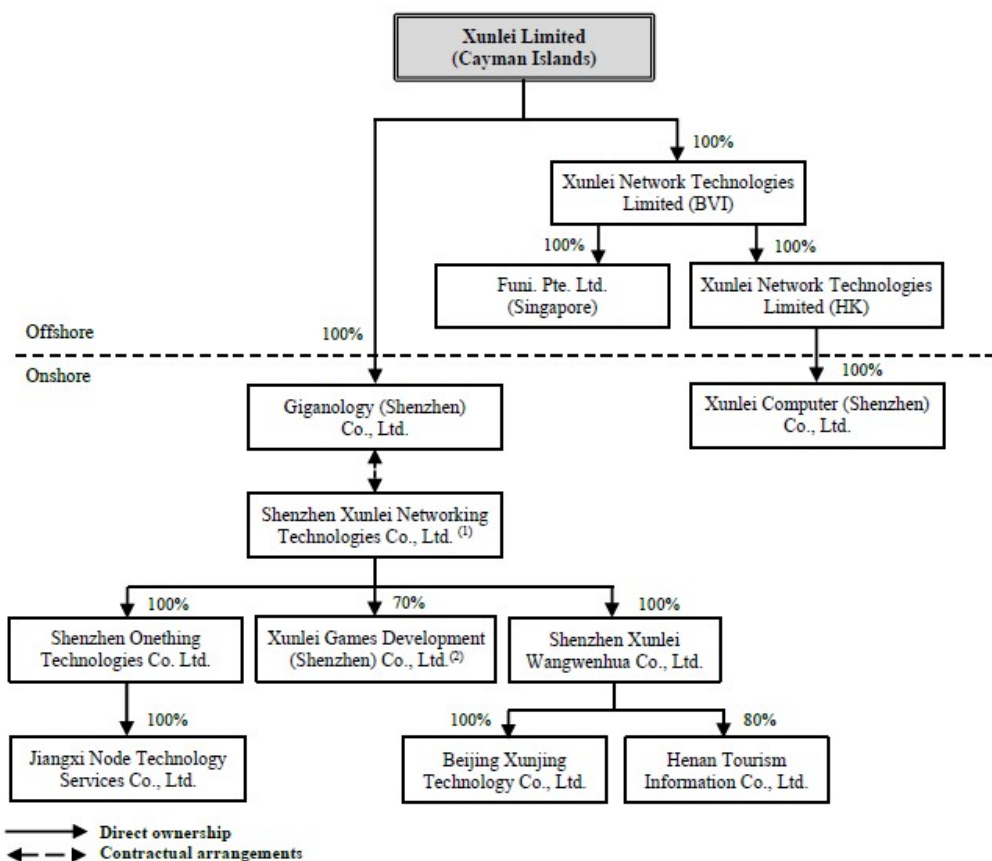
On April 12, 2016, General Office of the State Council issued a *Circular of the General Office of the State Council on Issuing the Implementing Proposals for the Special Rectification of Internet Financial Risks*, pursuant to which online P2P lending platforms or equity-based crowdfunding platforms shall not engage in asset management, claims or equity transfer, capital allocation in the high-risk securities market, or other financial business without approval. Internet enterprises that have not obtained the relevant financial business qualifications may not carry out the corresponding business by relying on the internet, and the nature of the business they carry out shall comply with the business qualifications obtained. Without approval of the relevant departments, no financial products of different categories that are privately placed may be offered to the public by packaging, splitting, or otherwise.

Furthermore, the People's Bank of China, China Banking and Insurance Regulatory Commission and China Securities Regulatory Commission jointly published *the Administrative Measures for Anti-money Laundering and*

Counter-terrorism Financing by Internet Finance Service Agencies (for Trial Implementation), which became effective on January 1, 2019. Under these measures the specific scope of work on anti-money laundering and counter-terrorism financing in the internet finance industry shall be determined, adjusted and released by the People's Bank of China ("PBC") in concert with relevant financial regulators of the State Council in accordance with laws, regulations and regulatory rules, including but not limited to the online payment, peer-to-peer lending, peer-to-peer lending information intermediary services, equity crowdfunding financing, internet fund sale, internet insurance, internet trust and internet consumption finance. The PBC will develop an online monitoring platform for anti-money laundering and counter-terrorism financing in the internet finance industry (hereinafter referred to as the "online monitoring platform"), and this online monitoring platform will be used to improve the online regulatory mechanism for anti-money laundering and strengthen information sharing. Service agencies other than financial institutions and non-banking payment institutions shall register the fulfillment of duties in anti-money laundering and counter-terrorism financing on the online monitoring platform. Where a single cash receipt or payment, or the aggregate cash receipts and payments, of a client on a single day, amount(s) to CNY50,000 or more or the equivalent value of USD10,000 or more, a service agency that is neither a financial institution nor a non-banking payment institution shall report the large-amount transaction within five working days of the occurrence of the transaction.

C. Organizational Structure

The following diagram illustrates our corporate structure, including the variable interest entity and our principal subsidiaries and principal subsidiaries of the variable interest entity, as of the date of this annual report on Form 20-F:



Notes:

(1) Shenzhen Xunlei is the variable interest entity. Mr. Sean Shenglong Zou, our co-founder and director, Mr. Hao Cheng, our co-founder and director, Mr. Jianming Shi, Guangzhou Shulian Information Investment Co., Ltd. and Ms. Fang Wang respectively own 76.0%, 8.3%, 8.3%, 6.7% and 0.7% of Shenzhen Xunlei's equity interests.

(2) The remaining 30% of the equity interest is owned by Mr. Hao Cheng.

Contractual arrangements with Shenzhen Xunlei

Agreements that provide us effective control over Shenzhen Xunlei

Business operation agreement

Pursuant to the business operation agreement among Giganology Shenzhen, Shenzhen Xunlei and the shareholders of Shenzhen Xunlei, as amended, Shenzhen Xunlei's shareholders must appoint the candidates nominated by Giganology Shenzhen to be the directors on its board of directors in accordance with applicable laws and the articles of association of Shenzhen Xunlei, and must cause the persons recommended by Giganology Shenzhen to be appointed as its general manager, chief financial officer and other senior executives. Shenzhen Xunlei and its shareholders also agree to accept and strictly follow the guidance provided by Giganology Shenzhen from time to time relating to employment, termination of employment, daily operations and financial management. Moreover, Shenzhen Xunlei and its shareholders agree that Shenzhen Xunlei will not engage in any transactions that could materially affect its assets, business, personnel, liabilities, rights or operations, including but not limited to the amendment of Shenzhen Xunlei's articles of association, without the prior consent of Giganology Shenzhen and Xunlei Limited or their respective designees. This agreement will expire in 2026.

Equity pledge agreement

Pursuant to the equity pledge agreement between Giganology Shenzhen and the shareholders of Shenzhen Xunlei, as amended, the shareholders of Shenzhen Xunlei have pledged all of their equity interests in Shenzhen Xunlei to Giganology Shenzhen to guarantee Shenzhen Xunlei and its shareholders' performance of their respective obligations and any ensuing liabilities under the exclusive technology support and service agreement, as amended, the exclusive technology consulting and training agreement, as amended, the proprietary technology license agreement, the business operation agreement, as amended, the equity interests disposal agreement, as amended, the loan agreements, as amended, and the intellectual properties purchase option agreement, as amended. In addition, the shareholders of Shenzhen Xunlei have completed the registration of equity pledge under the equity pledge agreement with the competent governmental authority. If Shenzhen Xunlei and/or its shareholders breach their contractual obligations under those agreements, Giganology Shenzhen, as pledgee, will be entitled to certain rights, including the right to sell the pledged equity interests.

Powers of attorney

Pursuant to the irrevocable powers of attorney executed by each shareholder of Shenzhen Xunlei, each such shareholder appointed Giganology Shenzhen as its attorney-in-fact to exercise such shareholders' rights in Shenzhen Xunlei, including, without limitation, the power to vote on its behalf on all matters of Shenzhen Xunlei requiring shareholder approval in accordance with PRC laws and regulations and the articles of association of Shenzhen Xunlei. Each power of attorney will remain in force for 10 years from the date of execution unless the business operation agreement, as amended, among Giganology Shenzhen, Shenzhen Xunlei and the shareholders of Shenzhen Xunlei is terminated at an earlier date. The term may be extended at Giganology Shenzhen's discretion.

Agreements that transfer economic benefits to us

Exclusive technology support and services agreement

Pursuant to the exclusive technology support and services agreement between Giganology Shenzhen and Shenzhen Xunlei, as amended, Giganology Shenzhen has the exclusive right to provide to Shenzhen Xunlei technology support and technology services related to all technologies needed for its business. Giganology Shenzhen exclusively owns any intellectual property rights resulting from the performance of this agreement. The service fee payable by Shenzhen Xunlei to Giganology Shenzhen is a certain percentage of its earnings. This agreement will expire in 2025 and may be extended with Giganology Shenzhen's written confirmation prior to the expiration date. Giganology Shenzhen is entitled to terminate the agreement at any time by providing 30 days' prior written notice to Shenzhen Xunlei.

Exclusive technology consulting and training agreement

Pursuant to the exclusive technology consulting and training agreement between Giganology Shenzhen and Shenzhen Xunlei, as amended, Giganology Shenzhen has the exclusive right to provide to Shenzhen Xunlei technology consulting and training services related to its business. Giganology Shenzhen exclusively owns any intellectual property rights resulting from the performance of this agreement. The service fee payable by Shenzhen Xunlei to Giganology Shenzhen is a certain percentage of its earnings. This agreement will expire in 2025 and may be extended with Giganology Shenzhen's written confirmation prior to the expiration date. Giganology Shenzhen is entitled to terminate the agreement at any time by providing 30 days' prior written notice to Shenzhen Xunlei.

Proprietary technology license contract

Pursuant to the proprietary technology license contract between Giganology Shenzhen and Shenzhen Xunlei, Giganology Shenzhen grants Shenzhen Xunlei a non-exclusive and non-transferable right to use Giganology Shenzhen's proprietary technology. Shenzhen Xunlei can only use the proprietary technology to conduct its business within China. Giganology Shenzhen or its designated representative(s) owns the rights to any improvements developed based on the proprietary technology licensed pursuant to this contract. This agreement expired in March 2022 and was extended for an additional 10 years by Giganology Shenzhen and Shenzhen Xunlei on March 1, 2022.

Intellectual properties purchase option agreement

Pursuant to the intellectual properties purchase option agreement between Giganology Shenzhen and Shenzhen Xunlei, as amended, Shenzhen Xunlei irrevocably grants Giganology Shenzhen (or its designated representative(s)) an exclusive option to purchase certain specified intellectual properties that it owns for RMB1.0 or the minimum amount of consideration permitted under the PRC law. This agreement expired in March 2022 and was automatically extended for an additional 10 years, and will be extended automatically for an additional 10 years at each expiration date as long as these intellectual properties have not been transferred to Giganology Shenzhen and/or its designee and Shenzhen Xunlei then still exist.

Agreements that provide us the option to purchase the equity interest in Shenzhen Xunlei

Equity interests disposal agreement

Pursuant to the equity interests disposal agreement among Giganology Shenzhen, Shenzhen Xunlei and the shareholders of Shenzhen Xunlei, as amended, Shenzhen Xunlei's shareholders irrevocably grant Giganology Shenzhen (or its designated representative(s)) an exclusive option to purchase all or part of their equity interests in Shenzhen Xunlei for RMB1.0 or the minimum amount of consideration permitted under PRC law. This agreement will expire in 2026.

Loan agreements

Under the loan agreement between Giganology Shenzhen and Guangzhou Shulian Information Investment Co., Ltd., Sean Shenglong Zou, Hao Cheng, Fang Wang and Jianming Shi, as amended, Giganology Shenzhen made interest-free loans of approximately RMB1.8 million, RMB2.5 million, RMB2.3 million, RMB0.2 million and RMB2.3 million, respectively, to each of the above shareholders of Shenzhen Xunlei and all of these shareholders have used the full amount of loans to make capital contribution to Shenzhen Xunlei. The term of this agreement is two years from the date it was signed, and will be automatically extended afterwards on a yearly basis until each shareholder of Shenzhen Xunlei has repaid the loan in its entirety in accordance with the loan agreement. The loan for each shareholder will be deemed to be repaid under this agreement only when all equity interest held by the relevant shareholder in Shenzhen Xunlei has been transferred to Giganology Shenzhen or its designated parties. As of the date of this annual report, all the loans under the loan agreements remain outstanding. At any time during the term of the loan agreement, Giganology Shenzhen may, at its sole discretion, require any of the shareholders of Shenzhen Xunlei to repay all or any portion of his outstanding loan under the agreement.

In addition, following the loan agreement mentioned above, under a separate loan agreement between Giganology Shenzhen and Mr. Sean Shenglong Zou as a shareholder of Shenzhen Xunlei, as amended, Giganology Shenzhen made an additional interest-free loan of RMB20 million to Mr. Zou, the entire amount of which was used to contribute to the registered capital of Shenzhen Xunlei, increasing the registered capital of Shenzhen Xunlei to RMB30 million. The term of this agreement is two years from the date it was signed, and will be automatically extended afterwards on a yearly basis until Mr. Zou has repaid the loan in its entirety in accordance with the loan agreement. This loan will be deemed to be repaid under this agreement only when all equity interest held by the relevant shareholder in Shenzhen Xunlei has been transferred to Giganology Shenzhen or its designated parties. At any time during the term of the loan agreement, Giganology Shenzhen may, at its sole discretion, require all or any portion of the outstanding loan under the agreement to be repaid.

In the opinion of TransAsia Lawyers, our PRC legal counsel:

- the ownership structures of the variable interest entity and our subsidiaries in China comply all applicable PRC Laws and regulations currently in effect; and
- the contractual arrangements among Giganology Shenzhen, our PRC subsidiary, Shenzhen Xunlei and its shareholders governed by PRC law are valid, binding and enforceable in accordance with the contractual arrangements' terms, and will not result in any violation of PRC laws or regulations currently in effect.

We have been advised by TransAsia Lawyers, our PRC legal counsel, however, that there are substantial uncertainties regarding the interpretation and application of current and future PRC laws, regulations and rules. Accordingly, the PRC regulatory authorities may take a view that is contrary to the above opinion of our PRC legal counsel. We have been further advised by our PRC legal counsel that if the PRC government finds that the agreements that establish the structure for operating our business to provide digital media data transmission and streaming services, online games and other value-added telecommunication services do not comply with PRC government restrictions on foreign investment in the aforesaid business we engage in, we could be subject to severe penalties including being prohibited from continuing operations. See “Item 3. Key Information—D. Risk factors—Risks related to our corporate structure—If the PRC government finds that the agreements that establish the structure for operating our businesses in China do not comply with PRC governmental restrictions on foreign investment in internet-related business and foreign investors’ mergers and acquisition activities in China, or if these regulations or the interpretation of existing regulations change in the future, we could be subject to severe penalties or be forced to relinquish our interests in those operations.”

D. Property, Plant and Equipment

Our principal executive offices are located at 21-23/F Block B, Building No.12, No.18 Shenzhen Bay ECO-Technology Park, Keji South Road, Yuehai Street, Nanshan District, Shenzhen, the People’s Republic of China, which comprises approximately 7,575 square meters of office space. Other than offices in Shenzhen, we also have offices in Beijing. All offices have a total floor area of approximately 9,510 square meters. Our leased premises are leased from unrelated third parties who have valid title to the relevant properties. The lease for our principal executive offices will expire in May 2022, and the other leases typically have terms of one to three years. Our servers are primarily hosted at internet data centers owned by major domestic internet data center providers. The hosting services agreements typically have one-year terms and are renewed upon expiration. We believe that we will be able to obtain adequate facilities to accommodate our future expansion plans. In addition, we completed the construction of our headquarters building, and we will relocate our principal executive offices to the new building after we complete the final inspection and government approval procedures.

Item 4A. 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 audited consolidated financial statements and the related notes included in this annual report on Form 20-F. This report contains forward-looking statements. See “Forward-looking Information.” 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 on Form 20-F. We caution you that our businesses and financial performance are subject to substantial risks and uncertainties. Unless otherwise specified, the results presented in this annual report do not include Xunlei Kankan and web game business, which have been classified as discontinued operations. In 2019, we started to operate web game business again under a different business model by cooperating with a third party. Revenues from web game business has been included in the continuing operations.

A. Operating Results

Overview

We operate a powerful internet platform in China based on cloud technology to enable our users to quickly access, store, manage and consume digital media content on the internet. In recent years, we have expanded our products and services from PC-based devices to mobile devices in part through pre-installed acceleration plug-ins on mobile phones to further enlarge our user base and offer our users a wider range of access points. In addition, we provide a portfolio of synergic products and services across cloud acceleration, shared cloud computing, blockchain and digital entertainment to enrich the lives of our internet users.

We provide users with quick and easy access to digital media content on the internet through two core products and services, available to users for free and for a subscription fee, respectively. Our acceleration products and services include Xunlei Accelerator and our cloud acceleration-based subscription services (delivered through our product, Green Channel). Benefitting from the large user base accumulated by our core product, Xunlei Accelerator, we have further developed cloud computing services and various other value-added services to meet a fuller spectrum of our users’ digital media content access and consumption needs. These value-added products and services primarily include our live streaming services and online game services.

We generate revenues primarily through the following services:

- *Subscription services.* We provide cloud acceleration subscription services for subscribers to enable faster and more reliable access to digital media content. Revenues from subscription services contributed to 38.1% of our revenue in 2021. Subscription fees are time-based and are primarily collected up-front from subscribers on a monthly or yearly basis.
- *Online advertising services (including mobile advertising).* We provide marketing opportunities on our PC websites and mobile platform to advertisers. In May 2020, we have outsourced our advertising business to a subsidiary of Itui, our largest shareholder. Online advertising revenues contributed to 5.1% of our revenue in 2021. The revenues are derived principally from various forms of advertisements that were placed on our mobile platform.
- *Cloud computing and other internet value-added services.* Other internet value-added services primarily include live streaming services and online game services. Revenues from cloud computing and other internet value-added services accounted for 56.0% of our total revenue in 2021.
- *Product revenue.* We sell hardware devices mainly related to our cloud computing services, such as OneThing Cloud. Product revenue contributed 0.8% of our revenue in 2021.

Our revenues increased from US\$181.3 million in 2019 to US\$186.7 million in 2020, and further increased to US\$239.6 million in 2021. We had a net loss attributable to Xunlei Limited of US\$53.2 million, US\$13.8 million and a net income of US\$1.2 million in 2019, 2020 and 2021, respectively. Xunlei Kankan and web game business are accounted

for as discontinued operations due to the sale of those two businesses and our consolidated statements of comprehensive income/(loss) in this annual report separately classify the discontinued operations from our remaining business operations for all years presented. Since 2019, we have started to operate web game business again under a different business model by cooperating with third parties. Revenues from web game business have been included in the continuing operations.

Major factors affecting our results of operations

Our business and operating results are subject to general factors affecting the internet industry in China, including overall economic growth, which has resulted in increases in disposable income and consumer spending, government and industry initiatives accelerating the technological advancement and growth of internet industry, the growth of internet usage and penetration rate in China, strong preference of Chinese consumers for accessing digital media content through the internet, the greater availability of digital media content on the internet, and the increasing acceptance of online advertising as part of advertisers' overall marketing strategy and spending. Our results of operations will continue to be affected by such general factors.

Our results of operations are also directly affected by a number of company-specific factors, including:

Our ability to continue to enhance and innovate our service offerings, including our mobile products and our cloud computing services.

As our industry evolves rapidly and user preference for our services may change quickly, our revenues and results of operations significantly depend on our ability to continue enhancing and expanding our service offerings to meet evolving user preference and market demand, and to broaden our user base. We have a proven track record of developing our service offerings to successfully address the preferences of China's internet users. To address deficiencies of digital media content transmission over the internet in China, we provide users with quick and easy access to digital media content on the internet through two core products and services, Xunlei Accelerator and our cloud acceleration subscription services, available to users for free and for a subscription fee, respectively. To meet our users' digital media content access and consumption needs, we have further developed various value-added services, including online game and live streaming services. Furthermore, we focus more on user behaviors and study users' life cycles on our platform, so that we can offer relevant services at the right time and encourage users to continue using our services.

An important part of our business plan is to continue transitioning to mobile internet. As an increasing number of users are accessing online services through mobile devices, we are increasingly expanding our services to mobile devices, particularly through cooperation with smartphone makers, including Xiaomi, which currently offers our mobile acceleration plug-in pre-installed on its new phones and as updates on its existing phones. We intend to further work with more smartphone makers in China so that a larger number of mobile users can benefit from our mobile products, including acceleration and higher downloading success rates.

We have also launched our cloud computing project to allocate idle uplink capacity to internet content providers and other internet users in need. We gather idle uplink capacity from internet users who have bought and connected our proprietary ZQB and OneThing Cloud devices to their network router. ZQB and OneThing Cloud devices can allocate those users' idle computing resources to us for our further allocation to internet content providers and other internet users. We pay users of our ZQB device for the use of their idle computing resources. Users of our OneThing Cloud can also receive a small amount of cash by participating in our own cash reward program, which allows us to crowdsource their idle computing resources. The computing resources gathered from ZQB and OneThing Cloud devices are valuable resources that we target to commercialize with potential customers such as streaming websites and app stores. Depending on our own needs, we also utilize those crowdsourced capacities for our own business from time to time, reducing our purchase of bandwidth from traditional third-party carriers.

Our ability to further monetize our user base.

Our revenues and results of operations depend on our ability to further monetize our user base, to convert more users to subscribers and to increase the spending of our subscribers. With enhanced knowledge of user behavior and preferences, we offer a diverse range of premium services tailored to their individual needs. For example, our cloud

acceleration subscription services offer users value-added services for speed. We intend to further monetize our user base and aim to convert users to subscribers by expanding our offering of value-added services, such as cloud-based storage and mobile access. We plan to provide one-stop services for our users, in terms of accessing content and storage and synchronization of content across devices, including mobile devices and PC.

Our ability to maintain our technology leadership and cost-efficient infrastructure.

Our results of operations depend on our ability to maintain our technology leadership, with innovations such as our mobile technology, our uplink capacity crowdsourcing technology and our cloud acceleration technology. Our mobile technology allows users to access content from anywhere, our uplink capacity crowdsourcing technology enables us to utilize the idle capacity available from our large user base, and our cloud acceleration technology enables users to access content in an efficient manner. Our proprietary technology and highly scalable massive distributed computing network form our core competitive advantage, enabling us to deliver superior transmission acceleration services and enhanced user experience anywhere and with an efficient sort of acceleration. Our resource discovery network leverages our distributed computing power, computing and storage capacity and significantly reduces our reliance on servers operated by us. As part of our expansion strategy, we plan to devote substantial resources to research and development in order to better serve our users, particularly to our cloud computing services and mobile products and services. Therefore, the expenses associated with our research and development are expected to increase in the near future. However, we plan to continue to increase the uplink capacity we crowdsource through our cloud computing services, which is expected to reduce our bandwidth cost incurred in our purchase from traditional suppliers, contribute to the cost efficiency of our overall infrastructure and generate additional revenue when we sell those capacity to our customers.

Our ability to control our costs and operating expenses.

Our results of operations depend on our ability to control our costs and operating expenses. We expect our bandwidth costs to increase as we grow our business, in particular CDN business, although we expect such costs to be partly offset by the fact that we expect to source an increasing amount of bandwidth from our cloud computing services. In addition, our operating expenses are expected to increase in the future, since we expect an increase in marketing expense in a competitive environment and an increase in employee compensation to attract talents. We plan to continue to invest in research and development to maintain our technology leadership, especially to increase our research and development expenses and sales and marketing expenses in relation to our cloud computing services.

Description of certain statement of operations items

Revenues

We derive our revenues primarily from cloud acceleration subscription services, selling of cloud computing devices, online advertising services, and cloud computing and other internet value-added services, which consist primarily of cloud computing services, online games services, and live streaming services. The following table sets forth the principal components of our revenues by amounts and percentages of our revenues for the periods presented.

	For the Year Ended December 31,					
	2019		2020		2021	
	US\$	%	US\$	%	US\$	%
	(in thousands, except for percentages)					
Continuing operations						
Subscriptions	81,532	45.0	84,299	45.1	91,174	38.1
Online advertising	15,643	8.6	13,206	7.1	12,267	5.1
Product revenue	8,269	4.6	1,412	0.8	1,897	0.8
Cloud computing and other internet value-added services	75,823	41.8	87,766	47.0	134,263	56.0
Total	<u>181,267</u>	<u>100.0</u>	<u>186,683</u>	<u>100.0</u>	<u>239,601</u>	<u>100.0</u>

Subscriptions. We introduced our cloud acceleration subscription services in March 2009. We generate revenues from providing our users with exclusive services, such as access to high-speed online transmission, premium acceleration

or access privileges, for a time-based subscription fee. The standard subscription fee is RMB10 (US\$1.6) per month or RMB99 (US\$15.4) per year, and we also offer premium subscription packages with prices at RMB15 (US\$2.3) per month or RMB149 (US\$23.1) per year or RMB30 (US\$4.7) per month or RMB288 (US\$44.7) per year to cater to subscribers' different demand for acceleration speed and user experience, which are becoming increasingly popular among our subscribers. Our subscription revenues, as a percentage of our revenues, increased from 45.0% in 2019 to 45.1% in 2020 and but decreased to 38.1% in 2021.

The most significant factor that directly affects our subscription revenues is the number of subscribers. We may maintain our subscriber base in the future by expanding our offering of fee-based services, but important factors outside of our control, such as the PRC government's regulation and censorship of information disseminated over the internet, may have a material adverse impact on our cloud acceleration services, which in turn may have an adverse effect on the number of our subscribers and on our revenues and results of operations. For example, in April 2014, the Chinese government initiated a campaign to enhance and enforce its scrutiny on internet content in China, particularly for pornographic content, and various websites were subject to penalties and in some cases outright suspension of website operations. We regularly conducted internal compliance investigation to ensure that the content transmitted by our products is in compliance with the strict standards set out by the authorities. We deleted millions of cached files, added thousands of keywords to our automatic keyword filtration system and permitted temporary suspension of services by approximately 173,000 existing subscribers as of the end of 2021. See "Item 3. Key Information—D. Risk Factors—Risks related to doing business in China—Regulation and censorship of information disseminated over the internet in China have adversely affected our business and may continue to adversely affect our business, and we may be liable for the digital media content on our platform." In the future, there may be other laws and regulations that lead to further voluntary or forced removal of content or other measures to ensure compliance with standards set out by relevant regulatory authorities, which may further reduce our subscriber base. To date, we have not been able to quantify the magnitude and extent of such impact.

Online advertising. Our online advertising revenues are derived from various forms of advertisements that were placed on our PC websites and mobile platform. In 2020, we entered into an advertising revenue sharing agreement with Itui, our largest shareholder, and outsourced our advertising business to Itui. Pursuant to the agreement, Itui was responsible for operating our advertising services and share a portion of revenue generated from placing advertisements on our PC websites and mobile platform. See "Item 4. Information on the Company—B. Business Overview—Our platform—Advertising services."

The revenues from our mobile advertising decreased from US\$13.2 million in 2020 to US\$12.2 million in 2021, accounting for 99.99% and 99.47% of the online advertising revenues in 2020 and 2021, respectively. We expect the revenues from mobile advertising will account for the majority of our advertising revenues in the future with our on-going transition to mobile internet. We do not expect to generate a significant amount of other advertising revenues in the foreseeable future.

Product revenue. Product revenue represents the revenue we generate primarily from the sales of hardware devices and OneThing Cloud, in relation to our cloud computing services. The product revenue increased from US\$1.4 million in 2020 to US\$1.9 million in 2021, primarily because we were gradually phasing out the sales of this product while exploring alternative ways for developing distributed cloud computing nodes.

Cloud computing and other internet value-added services. We actively seek new business opportunities that complement our existing core acceleration business to further improve our users' overall experience. Revenues from cloud computing and other internet value-added services increased from US\$75.8 million in 2019 to US\$87.8 million in 2020 and further to US\$134.3 million in 2021.

Revenues of cloud computing and other internet value-added services were generated primarily from our cloud computing services, live streaming services and online game services. For cloud computing services, we recognize revenue when we provide bandwidth to our customers. We started to generate revenue from cloud computing services in 2015 and the revenue from cloud computing services in 2021 accounted for 39.6% of our total revenues, representing an increase of 47.6% on a year-over-year basis, primarily due to an increased demand for our shared computing services. For live streaming services, users purchase virtual gifts from us and send the gifts they purchase to broadcasters while enjoying broadcasters' performance. Revenue from live streaming service accounted for 14.7% of our total revenues, representing an increase of 68.2% on a year-over-year basis, primarily driven by increased demand for new live streaming products we

launched in the second half of 2021. Our online games business used to consist of web games, mobile games and PC-based MMOGs. In light of the overall decline in web game market and a shift of our strategy, we streamlined our business and disposed of our web game business in January 2018 and discontinued our PC-based MMOGs business in July 2018. In 2019, we started to operate web game business again under a business model different from our previous web game business. We expect the revenue from cloud computing and other internet value-added services to increase in the future.

Cost of revenues

Our cost of revenues consists primarily of (i) bandwidth costs, (ii) cost of inventories sold, (iii) cost of live streaming services, (iv) depreciation of servers and other equipment, (v) payment handling charges, and (vi) other costs, including write-down of inventory. The following table sets forth the components of our cost of revenues by amounts and percentages of our revenues for the periods presented:

	For the Year Ended December 31,					
	2019		2020		2021	
	US\$	%	US\$	%	US\$	%
	(in thousands, except for percentages)					
Continuing operations						
Bandwidth costs	57,093	31.5	62,384	33.4	80,720	33.7
Cost of inventories sold	7,181	4.0	1,660	0.9	1,516	0.6
Cost of live streaming services	20,734	11.4	15,640	8.4	26,506	11.1
Depreciation of servers and other equipment	5,198	2.9	6,247	3.3	4,805	2.0
Payment handling charges	1,658	0.9	1,459	0.8	3,066	1.3
Other costs	8,049	4.4	5,247	2.8	1,990	0.8
Total	<u>99,913</u>	<u>55.1</u>	<u>92,637</u>	<u>49.6</u>	<u>118,603</u>	<u>49.5</u>

Bandwidth costs. Bandwidth costs consist of the fees we pay to telecommunications carriers and other service providers for telecommunications services and for hosting our servers at their internet data centers and the fees we compensate users of our ZQB and OneThing Cloud devices for the use of their idle uplink capacity. Bandwidth is a significant component of our cost of our total revenues. We expect our bandwidth costs to increase, but we expect the costs as a percentage of revenues would decline as we expect to rely more on crowdsourced bandwidth and further diversify our procurement sources.

For details on our cloud computing services, see “Item 4. Information on the Company—B. Business Overview.”

Cost of inventories sold. Cost of inventories sold mainly consists of the cost associated with the sale of hardware devices including OneThing Cloud, in relation to our cloud computing services.

Cost of live streaming services. Cost of live streaming services mainly represents the fees we pay to broadcasters and the talent agencies. We expect such cost to increase in the near future.

Depreciation of servers and other equipment. Depreciation expenses for servers and other equipment that are directly related to our business operations and technical support are included in our cost of revenues. We expect our depreciation expenses as a percentage of revenues to decrease as our total revenues are expected to increase, which is also consistent with the industry trend.

Payment handling charges. Payment handling charges are the fees we pay to payment channels for cloud acceleration subscription services, online games and other paid services. Users can make payments for such services through third-party online, and mobile phone payment channels. These third-party payment channels typically charge a handling fee for their services. Our subscribers used to make subscription payments through mobile phones. However, as mobile carriers generally charge higher handling fees than other channels, we have modified our subscription fee structure to encourage our subscribers to use other available payment channels. We expect such payment handling charges as a percentage of revenues to increase as we cooperated with more third-party payment service providers to collect our live streaming service fees.

Other costs. Other costs mainly include fast bird service cost, which we pay to telecommunication service providers for accelerating service we provide for our subscribers' internet access, and impairment cost, which arises from our write-down of inventory based on our assessment.

Operating expenses

Our operating expenses consist of (i) research and development expenses, (ii) sales and marketing expenses, (iii) general and administrative expenses, and (iv) asset impairment loss, net of recoveries. The following table sets forth the components of our operating expenses by amounts and percentages of our revenues for the periods presented:

	For the Year Ended December 31,					
	2019		2020		2021	
	US\$	%	US\$	%	US\$	%
	(in thousands, except for percentages)					
Research and development expenses	68,571	37.8	55,463	29.7	61,859	25.8
Sales and marketing expenses	31,820	17.6	18,064	9.7	24,569	10.3
General and administrative expenses	38,930	21.5	33,910	18.2	36,868	15.4
Asset impairment loss, net of recoveries	(2,147)	(1.2)	5,090	2.7	1,206	0.5
Total	137,174	75.7	112,527	60.3	124,502	52.0

Research and development expenses. Research and development expenses consist primarily of salaries and benefits for our research and development personnel. Expenditures incurred during the research phase are expensed as incurred. Expenditures incurred for the development of the acceleration products prior to the establishment of technological feasibility are expensed when incurred. We expect our research and development expenses to increase in the future as we need to retain talents to develop new products and improve existing products, particularly our cloud computing services, blockchain technology, and our mobile products.

Sales and marketing expenses. Sales and marketing expenses consist primarily of salaries, sales commissions and benefits for our sales and marketing personnel and marketing and promotional expenses. We expect our sales and marketing expenses to increase in the future as we expect to invest in brand enhancement efforts and the promotion of our products and services, particularly as we plan to increase our efforts in promoting our cloud computing services, blockchain technology, Mobile Xunlei and new products under development.

General and administrative expenses. General and administrative expenses consist primarily of salaries and benefits, professional service fees and other administrative expenses. We expect our general and administrative expenses to increase in the future as we expect our business to continue to grow and as a result of general inflation.

Asset impairment loss, net of recoveries. Asset impairment loss, net of recoveries consists of assets written-offs after impairment and recoverability assessment, net of recovered amount of impaired assets. The asset impairment in 2021 represents write-off of certain receivables and prepayments based on our assets impairment assessment.

Taxation

Cayman Islands

We are incorporated in the Cayman Islands. 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. In addition, the Cayman Islands does not impose withholding tax on dividend payments.

China

Pursuant to the PRC EIT Law, which became effective on January 1, 2008, a 25% enterprise income tax rate is generally applicable to both foreign-invested enterprises and domestic enterprises, except where a special preferential rate applies.

In April 2009, the State Administration for Taxation, or SAT, issued a circular, which provides that an enterprise that is qualified as the High and New Technology Enterprise, or HNTE, is entitled to apply with the relevant tax authorities to enjoy the reduced enterprise income tax rate of 15%. In January 2016, relevant PRC government authorities further issued qualification criteria, application procedures and assessment processes for the qualification of HNTE. Each of Shenzhen Xunlei, Shenzhen Onething, Xunlei Computer and Shenzhen Wangwenhua currently possesses such HNTE certificate. As a result, these four entities are qualified to enjoy a preferential tax rate of 15% for the year ended December 31, 2021. The HNTE certificates possessed by Shenzhen Xunlei and Shenzhen Wangwenhua will expire in December 2023, and the HNTE certificates possessed by Shenzhen Onething and Xunlei Computer will expire in December 2024.

In July 2020, Jiangxi Node was qualified for a preferential tax rate of 15% and started to apply this rate from then on. The 15% preferential tax rate is awarded to companies that are located in the western regions of China and operate in certain encouraged industries. This qualification will need to be assessed on an annual basis. The tax rate assessed for Jiangxi Node was 15% for both 2020 and 2021.

Certain of our subsidiaries in China have been granted certain tax concessions to small scale entities by tax authorities in China whereby the subsidiaries operating in the respective region are entitled to tax concessions, the remaining PRC subsidiaries and the VIE's subsidiaries are subject to a 25% EIT rate.

According to the EIT Law and its implementation rules, foreign enterprises, which have no commercial presence in the PRC but derive dividends, interest, rents, royalties and other income (including capital gains) from sources in the PRC, are subject to a 10% PRC withholding tax, or WHT (a further reduced WHT rate may be available according to the applicable double tax treaty or arrangement). The 10% WHT is generally applicable to any dividends to be distributed from Giganology Shenzhen and Xunlei Computer to us out of any profits of Giganology Shenzhen and Xunlei Computer derived after January 1, 2008. Although Xunlei Computer and Giganology Shenzhen had retained earnings as of December 31, 2020 and December 31, 2021, the directors of the company decided to reinvest the retained earnings permanently in China and therefore no such WHT is required.

In addition, the current EIT Law treats enterprises established outside the PRC with “effective management and control” located in the PRC as PRC resident enterprises for tax purposes. The term “effective management and control” is generally defined as exercising overall management and control over the business, personnel, accounting, properties, etc. of an enterprise. If a company is considered as a PRC resident enterprise for tax purposes, it would be subject to the PRC Enterprise Income Tax at the rate of 25% on its worldwide income after January 1, 2008. As of December 31, 2021, our company has not accrued for PRC tax on such basis. Our company will continue to monitor its tax status.

Hong Kong

Our subsidiaries in Hong Kong are subject to 16.5% income tax on their taxable income generated from operations in Hong Kong.

Singapore

Our subsidiaries incorporated in Singapore were subject to 17% of their taxable income.

Results of operations

The following table sets forth a summary of our consolidated results of continuing operations by amounts and percentages of our revenues for the years indicated. This information should be read together with our consolidated financial statements and related notes included elsewhere in this annual report. The results of operations in any period are not necessarily indicative of the results that may be expected for any future period.

	For the Year Ended December 31,					
	2019		2020		2021	
	US\$	%	US\$	%	US\$	%
	(in thousands, except for percentages)					
Total revenue, net of rebates and discounts	181,267	100.0	186,683	100.0	239,601	100.0
Business taxes and surcharge	(602)	(0.3)	(312)	(0.2)	(819)	(0.3)
Total net revenues	180,665	99.7	186,371	99.8	238,782	99.7
Cost of revenues	(99,913)	(55.1)	(92,637)	(49.6)	(118,603)	(49.5)
Gross profit	80,752	44.6	93,734	50.2	120,179	50.2
Research and development expenses	(68,571)	(37.8)	(55,463)	(29.7)	(61,859)	(25.8)
Sales and marketing expenses	(31,820)	(17.6)	(18,064)	(9.7)	(24,569)	(10.3)
General and administrative expenses	(38,930)	(21.5)	(33,910)	(18.2)	(36,868)	(15.4)
Asset impairment loss, net of recoveries	2,147	1.2	(5,090)	(2.7)	(1,206)	(0.5)
Total operating expenses	(137,174)	(75.7)	(112,527)	(60.3)	(124,502)	(52.0)
Operating loss	(56,422)	(31.1)	(18,793)	(10.1)	(4,323)	(1.8)
Interest income	1,897	1.1	1,471	0.8	723	0.3
Interest expense	(75)	(0.0)	(406)	(0.2)	(95)	—
Other income, net	5,861	3.2	4,737	2.5	4,678	2.0
(Loss)/income before income tax	(48,739)	(26.8)	(12,991)	(7.0)	983	0.4
Income tax expenses/(benefits)	(4,676)	(2.6)	(1,149)	(0.6)	125	0.1
Net (loss)/income for the year	(53,415)	(29.4)	(14,140)	(7.6)	1,108	0.5
Less: Net loss attributable to the non-controlling interest	(246)	(0.1)	(300)	(0.2)	(83)	—
Net (loss)/income attributable to Xunlei Limited	(53,169)	(29.3)	(13,840)	(7.4)	1,191	0.5

Year ended December 31, 2021 compared with year ended December 31, 2020.

Revenues. Our revenues increased by 28.3% from US\$186.7 million in 2020 to US\$239.6 million in 2021, primarily due to the increases in revenues from cloud computing services and live streaming services.

- Our revenue from subscription services increased by 8.2% from US\$84.3 million in 2020 to US\$91.2 million in 2021, primarily due to an increase in paying subscribers.
- Our online advertising revenues decreased by 7.1% from US\$13.2 million in 2020 to US\$12.3 million in 2021, primarily due to lower advertising placements starting from the second quarter of 2021 as a result of evolving regulations of the Chinese internet industry that negatively affected our advertising business.
- Revenues derived from cloud computing and other internet value-added services increased by 53.0% from US\$87.8 million in 2020 to US\$134.3 million in 2021, primarily due to an increased demand for our shared cloud computing services and live streaming services.
- Our product revenue increased by 34.3% from US\$1.4 million in 2020 to US\$1.9 million in 2021, primarily due to an increase in sales of OneThing Cloud as a result of an increased demand of OneThing Cloud from users.

Cost of revenues. Our cost of revenues increased by 28.0% from US\$92.6 million in 2020 to US\$118.6 million in 2021, primarily attributable to an increase in sales of our cloud computing products and revenue-sharing costs for our live streaming products.

Bandwidth costs. Our bandwidth costs increased by 29.4% from US\$62.4 million in 2020 to US\$80.7 million in 2021, primarily due to the increased sales of our cloud computing services.

Cost of inventories sold. Our cost of inventories sold decreased by 22.0% from US\$1.7 million in 2020 to US\$1.5 million in 2021, primarily due to a decrease in unit cost of OneThing Cloud hardware as it has been write-down to a lower net realizable value.

Cost of live streaming. Our cost of live streaming services increased by 69.5% from US\$15.6 million in 2020 to US\$26.5 million in 2021, primarily due to an increase in revenue-sharing costs along with the growth of our live-streaming services.

Depreciation of servers and other equipment. Depreciation of servers and other equipment decreased by 23.1% from US\$6.2 million in 2020 to US\$4.8 million in 2021, primarily due to our disposal of servers, which we no longer use due to product upgrade.

Payment handling charges. Our payment handling charges increased by 110.1% from US\$1.5 million in 2020 to US\$3.1 million in 2021, primarily because we cooperated with more third-party payment service providers to collect fees for rendering live streaming service, the revenue of which increased by 68.2% as compared to that of the previous year.

Other costs. These costs decreased by 59.9% from US\$5.2 million in 2020 to US\$2.0 million in 2021, primarily due to less write-down of our inventory for OneThing Cloud hardware device compared with that of 2020.

Gross profit. As a result of the above, our gross profit increased by 28.2% from US\$93.7 million in 2020 to US\$120.2 million in 2021.

Gross profit margin remained stable at approximately 50.2% in both 2020 and 2021.

Operating expenses. Our operating expenses increased by 10.6% from US\$112.5 million in 2020 to US\$124.5 million in 2021, primarily due to (i) increased labor cost as a result of increased headcounts; (ii) an increase in marketing and promotional activities for Mobile Xunlei and our new live streaming products, which we launched in 2021, and (iii) increased amortization expense regarding newly awarded restricted share units during 2021.

Research and development expenses. Our research and development expenses increased by 11.5% from US\$55.5 million in 2020 to US\$61.9 million in 2021, primarily due to increased employee related cost as a result of an increase in headcounts.

Sales and marketing expenses. Our sales and marketing expenses increased by 35.9% from US\$18.1 million in 2020 to US\$24.6 million in 2021, primarily due to more marketing and promotional activities conducted in 2021 for Mobile Xunlei and our new live streaming products in 2021.

General and administrative expenses. Our general and administrative expenses increased by 8.7% from US\$33.9 million in 2020 to US\$36.9 million in 2021, primarily due to increased amortization expense related to newly awarded restricted share units.

Asset impairment loss, net of recoveries. We recorded a debit amount of US\$1.2 million in 2021, compared to a debit amount of US\$5.1 million in 2020. The decrease was primarily due to write-off of certain receivables and prepayments in relation to our cloud computing business in 2020.

Interest income. Our interest income decreased by 50.9% from US\$1.5 million in 2020 to US\$0.7 million in 2021, primarily due to a decrease of time deposits in our bank account.

Interest expense. Our interest expense decreased from US\$0.4 million in 2020 to US\$0.1 million in 2021, primarily because less interest was accrued for the long-term payables to certain shareholders arising from the repurchase of shares in 2014.

Other income, net. Our other income, net was US\$4.7 million in 2021, same as the amount in the previous year.

Income tax (benefits)/expenses. We had income tax benefits of US\$0.1 million in 2021, compared with an income tax expenses of US\$1.1 million in 2020. We had income tax expenses in 2020 primarily due to the decrease of deferred tax assets.

Net (loss)/income. As a result of the above, there was a net income of US\$1.1 million in 2021, as compared with a net loss of US\$14.1 million in 2020. The change was primarily due to an increase in gross profit in 2021.

Net (loss)/income attributable to Xunlei Limited. As a result of the above, we generated a net loss attributable to Xunlei Limited of US\$13.8 million in 2020 and a net income attributable to Xunlei Limited of US\$1.2 million in 2021.

Year ended December 31, 2020 compared with year ended December 31, 2019.

Revenues. Our revenues increased by 3.0% from US\$181.3 million in 2019 to US\$186.7 million in 2020, primarily due to the increases of revenues from cloud computing services and subscription service.

- Our revenue from subscription services increased by 3.4% from US\$81.5 million in 2019 to US\$84.3 million in 2020, primarily due to an increase in average revenue per user.
- Our online advertising revenues decreased by 15.6% from US\$15.6 million in 2019 to US\$13.2 million in 2020, primarily due to a decreased demand for our mobile advertising services.
- Revenues derived from cloud computing and other internet value-added services increased by 15.8% from US\$75.8 million in 2019 to US\$87.7 million in 2020, primarily due to an increased demand for our shared cloud computing services.
- Our product revenue decreased by 82.9% from US\$8.3 million in 2019 to US\$1.4 million in 2020, primarily due to a decrease in sales of OneThing Cloud as a result of a decreased demand of OneThing Cloud from users.

Cost of revenues. Our cost of revenues decreased by 7.3% from US\$99.9 million in 2019 to US\$92.6 million in 2020, primarily attributable to a decline in sales of our cloud computing hardware products and revenue-sharing costs for our live streaming products.

Bandwidth costs. Our bandwidth costs increased by 9.3% from US\$57.1 million in 2019 to US\$62.4 million in 2020, primarily due to the increased sales of our cloud computing services.

Cost of inventories sold. Our cost of inventories sold decreased by 76.9% from US\$7.2 million in 2019 to US\$1.7 million in 2020, primarily due to a decrease in sales of OneThing Cloud products.

Cost of live streaming. Our cost of live streaming services decreased by 24.6% from US\$20.7 million in 2019 to US\$15.6 million in 2020, primarily due to a decline in revenue-sharing costs as a result of a decrease of our live-streaming services.

Depreciation of servers and other equipment. Depreciation of servers and other equipment increased by 20.2% from US\$5.2 million in 2019 to US\$6.2 million in 2020, primarily due to an increase in depreciation of our shared cloud computing servers that we installed to our newly established distributed edge computing node centers across China in 2020.

Payment handling charges. Our payment handling charges decreased by 12.0% from US\$1.7 million in 2019 to US\$1.5 million in 2020, primarily because we cooperated with more third-party payment service providers that charged lower service fees.

Other costs. These costs decreased by 34.8% from US\$8.0 million in 2019 to US\$5.2 million in 2020, primarily due to less write-down of our inventory for OneThing Cloud hardware device compared with that of 2019. In addition, we did not incur LinkToken mall redemption cost in 2020 but incurred such cost in 2019.

Gross profit. As a result of the above, our gross profit increased by 16.1% from US\$80.8 million in 2019 to US\$93.7 million in 2020.

Gross profit margin increased from 44.5% in 2019 to 50.2% in 2020, primarily due to the increases of revenue from cloud computing and subscription service, both of which had improved gross margin.

Operating expenses. Our operating expenses decreased by 18.0% from US\$137.2 million in 2019 to US\$112.5 million in 2020, primarily due to (i) decreased office lease expenses as a result of an early termination of certain office sites in an effort to streamline our operations; (ii) a decrease in labor cost as a result of optimization of organizational structure, benefits and compensation, and (iii) a decreased number of marketing and promotional activities as we prudently monitored the return on investment of our marketing campaigns.

Research and development expenses. Our research and development expenses decreased by 19.1% from US\$68.6 million in 2019 to US\$55.5 million in 2020, primarily due to the optimization of organizational structure, employee benefits and compensation.

Sales and marketing expenses. Our sales and marketing expenses decreased by 43.2% from US\$31.8 million in 2019 to US\$18.1 million in 2020, primarily due to fewer marketing and promotional activities and the optimization of organizational structure, benefits and compensation.

General and administrative expenses. Our general and administrative expenses decreased by 12.9% from US\$38.9 million in 2019 to US\$33.9 million in 2020, primarily due to decreased rental expenses as a result of consolidation of offices, decreased legal and professional fees and the optimization of organizational structure.

Asset impairment loss, net of recoveries. We recorded a credit balance of US\$5.1 million in 2020, compared to US\$2.1 million in 2019, the increase was primarily due to write-off of certain receivables and prepayments in relation to our cloud computing business during the year.

Interest income. Our interest income decreased by 22.5% from US\$1.9 million in 2019 to US\$1.5 million in 2020, primarily due to a decrease of time deposits in our bank account.

Interest expense. Our interest expense increased from US\$0.1 million in 2019 to US\$0.4 million in 2020, primarily because increased interest was accrued for the long-term payables to certain shareholders arising from the repurchase of shares in 2014.

Other income, net. Our other income decreased by 19.2% from US\$5.9 million in 2019 to US\$4.7 million in 2020, primarily because we recorded a gain of US\$6.6 million in 2019 for the disposal of LinkToken related assets and liabilities and we did not have such gain in 2020. Other reasons for the decrease were primarily attributable to impairment of long-term investments recognized in 2019 while we did not have such impairment of long-term investments in 2020.

Income tax expense. Our income tax expense decreased from US\$4.7 million in 2019 to US\$1.1 million in 2020 primarily because we had a write-down of Shenzhen Xunlei's deferred tax assets in 2019 but did not have such write-down of deferred tax assets in 2020.

Net loss from continuing operations. As a result of the above, our net loss decreased from US\$53.4 million in 2019 to US\$14.1 million in 2020.

Net loss attributable to Xunlei Limited. As a result of the above, we generated a net loss attributable to Xunlei Limited of US\$53.2 million in 2019 and of US\$13.8 million in 2020.

Inflation

To date, inflation in China has not materially affected our results of operations in recent years. According to the National Bureau of Statistics of China, the year-over-year percent changes in the consumer price index for December 2019, 2020 and 2021 were increases of 4.5%, 2.5% and 1.5%, respectively. Although we have not been materially affected by inflation in the past, we can provide no assurance that we will not be affected if China experiences higher rates of inflation in the future.

Critical accounting policies

We prepare our financial statements in conformity with U.S. GAAP, which requires us to make estimates and assumptions that affect the amounts reported in the accompanying consolidated financial statements and related disclosures. We regularly evaluate these estimates based on historical experiences and on various other assumptions that we believe to be reasonable, the result of which form the basis for making judgments about the carrying values of assets and liabilities. Actual results could differ from what we expect. This is especially true with some accounting policies that require higher degrees of judgment than others in their application. We consider the policies discussed below to be critical to an understanding of our audited consolidated financial statements because they involve the greatest reliance on our management's judgment.

Revenue recognition

Revenue is recognized when or as the control of the services or goods is transferred to the customer. Depending on the terms of the contract and the laws that apply to the contract, control of the services and goods may be transferred over time or at a point in time.

A contract liability is our obligation to transfer goods or services to a customer for which we have received consideration (or an amount of consideration is due) from the customer. Contract costs include incremental costs of obtaining a contract and costs to fulfil a contract.

We generate revenues from various streams. Net revenues presented in the consolidated statements of (loss)/income represent revenues from service and product sales net off sales discount, value-added tax and related surcharges.

Subscription revenues

We operate a VIP membership program where VIP members can have access to high speed online acceleration services, online streaming and other access privileges. The subscription fee is time-based and is collected up-front from subscribers. The terms of time-based subscriptions range from one month to twelve months, with the subscribers having the option to renew the contracts. The receipt of subscription fee is initially recorded as contract liabilities. We satisfy our various performance obligations by providing services throughout the subscription period and revenue is recognized ratably over the period of subscription as services are rendered. Unrecognized portion beyond 12 months from balance sheet date is classified as a long-term liability. We evaluated the principal versus agent criteria and determined that we are the principal in the transaction and accordingly record revenue on a gross basis. In determining whether to report revenues gross for the amount of subscription revenue, we assess whether it maintains the principal relationship with the VIP members, whether it bears the credit risk and whether it establishes prices for the end users. Service fees levied by online system, and mobile payment channels ("payment handling charges") are recorded as the cost of revenues in the same period as the revenue for the subscription fee is recognized.

Advertising revenues

We cooperate with advertising platforms such as Guangdiantong and Baidu, of which, the advertising platforms are responsible for matching the requirements of advertisers or advertising agencies and dispatching the advertising content to our platforms by certain analysis systematically. As the advertising platforms are viewed as customers in these transactions, revenue is recognized monthly based on the data publicized on the platforms and pre-agreed sharing portion.

In May 2020, we entered into a user traffic monetization agreement with Beijing Itui Online Network Technology Co., Ltd. (“Itui Online”), a company controlled by one of our principal shareholders. Since May 2020, Itui Online has been handling substantially all of our advertising resources, including matching the requirements of advertisers and dispatching the advertising content to our platforms. Itui Online is viewed as the customer and revenue is recognized monthly based on the data publicized on the platforms and pre-agreed sharing portion.

Live streaming revenue

We operate certain live streaming platforms where users can access the platform, view the live streaming content provided by performers, and purchase virtual gifts which they can grant to performers in the live streaming platform to show support for their favorite performers. We are the principal in the provision of the live streaming content and experience, which is considered as the performance obligation of us. We recognize revenue from sales of virtual gifts to the viewers when the relevant virtual gifts are presented to the performers or over the duration of stated period of the time-based item. We do not have further obligations to the viewers after the virtual gifts are consumed immediately or after the stated period for time-based items although we will continue to provide the live streaming content to the viewers in order to continue to generate sales of virtual gifts.

Cloud computing and other internet value-added services

Revenues from cloud computing. On a monthly basis, we record the bandwidth we deliver and recognize revenue from customers under contractual rates applied (price per GB of bandwidth multiplies total GBs of bandwidth per month).

Online game revenues. We enter into a series of technical cooperation agreements with third-party online game operators. Users access to our platform and purchase in-game virtual items which can then be used in games provided by the third-party online game operators. We provide the third-party online game operators with a portal which the online game operators can host the online games. We charge the online game operators based on a pre-determined portion of proceeds earned from paying users pursuant to the revenue sharing arrangements for the provision of portal and payment collection service to the online game operators. The third-party online game operators are the principal in the provision of games to users and we provide the relevant platform to the game operators, therefore, the game operators are viewed as the customers in these transactions.

The service fees receivable from the third-party online game operators are variable, which are contingent upon future events (future cash proceeds paid by game players), and are recognized when the contingency is met provided that collectability is reasonably assured.

Share-based Compensation

We awarded a number of restricted shares to our employees, officers and directors. The details of these share-based awards and the respective terms and conditions are described in “Share-based compensation” in Note 19 to our audited consolidated financial statements for the years ended December 31, 2019, 2020 and 2021.

We measure share-based compensation based on the stock price at the grant date. As we have granted restricted shares with service-only condition, we elected to recognize compensation costs net of estimated forfeitures on a straight-line basis over the requisite service period, which is generally the same as the vesting period. The amount of compensation cost recognized at any date is at least equal to the portion of the grant-date value of the award that is vested at that date.

Impairment of Long-lived Assets

For other long-lived assets, we evaluate our long-lived assets for impairment whenever events or changes in circumstances indicate that the carrying amount of an asset may no longer be recoverable. We assess the recoverability of the long-lived assets by comparing the carrying value of the long-lived assets to the estimated undiscounted future cash flows we expect to receive from use of the assets and their eventual disposition at the lowest level of identifiable cash flows. Such assets are considered to be impaired if the sum of the expected undiscounted cash flows is less than the carrying amount of the assets. If we identify an impairment, the carrying value of the asset will be reduced to its estimated fair value based on a discounted cash flow approach or, when available and appropriate, to comparable market values.

Impairment of Goodwill

Goodwill represents the excess of the purchase consideration over the fair value of the identifiable tangible and intangible assets acquired and liabilities assumed from the acquired entity as a result of the Company's acquisitions of interests in its subsidiaries, the VIE and the subsidiaries of the VIE. Goodwill is not amortized but is tested for impairment on an annual basis, or more frequently if events or changes in circumstances indicate that it might be impaired. We first assess qualitative factors to determine whether it is necessary to perform the two-step quantitative goodwill impairment test. In the qualitative assessment, we consider primary factors such as industry and market considerations, overall financial performance of the reporting unit, and other specific information related to the operations. Based on the qualitative assessment, if it is more likely than not that the fair value of each reporting unit is less than the carrying amount, the quantitative impairment test is performed.

In performing the two-step quantitative impairment test, the first step compares the fair values of each reporting unit to its carrying amount, including goodwill. If the fair value of each reporting unit exceeds its carrying amount, goodwill is not considered to be impaired and the second step will not be required. If the carrying amount of a reporting unit exceeds its fair value, the second step compares the implied fair value of goodwill to the carrying value of a reporting unit's goodwill. The implied fair value of goodwill is determined in a manner similar to accounting for a business combination with the allocation of the assessed fair value determined in the first step to the assets and liabilities of the reporting unit. The excess of the fair value of the reporting unit over the amounts assigned to the assets and liabilities is the implied fair value of goodwill. This allocation process is only performed for the purposes of evaluating goodwill impairment and does not result in an entry to adjust the value of any assets or liabilities. Application of a goodwill impairment test requires significant management judgment, including the identification of reporting units, allocation of assets, liabilities and goodwill to reporting units, and determination of the fair value of each reporting unit.

Starting in 2020, we adopted the FASB issued ASU 2017-04: Intangibles—Goodwill and Other (Topic 350): Simplifying the Test for Goodwill Impairment (the "Update"). To simplify the subsequent measurement of goodwill, the Board eliminated Step 2 from the goodwill impairment test. Under the amendments in this Update, an entity should perform its annual, or interim, goodwill impairment test by comparing the fair value of a reporting unit with its carrying amount. An entity should recognize an impairment charge for the amount by which the carrying amount exceeds the reporting unit's fair value; however, the loss recognized should not exceed the total amount of goodwill allocated to that reporting unit. An entity should apply the amendments in this Update on a prospective basis. An entity is required to disclose the nature of and reason for the change in accounting principle upon transition. It is more likely that, by adopting simplified measurement which eliminates the Step 2 from goodwill impairment test, an entity with the triggering event for goodwill impairment will recognize more goodwill impairment than it would do under the old model.

Our goodwill was attributable to the Company as a whole. The impairment test for goodwill determines the fair value of the reporting unit, the Company as a whole, and compares it to the carrying value of the assets and liabilities, including goodwill, of the reporting unit. The fair value of the Company was estimated by management using the discounted cash flow model derived from the long-term (five-year) cash flow projections, which included significant judgements and assumptions relating to revenue forecast and operating margins, discount rate of 18.2% that reflects market assessments of the time value and the specific risks relating to the Company, and cash flows beyond the five-year period are extrapolated using a terminal growth rate of 2%.

No goodwill impairment losses were recognized in 2019, 2020 and 2021 based on the impairment test performed by us.

Consolidation

The consolidated financial statements include the financial statements of Xunlei Limited, our subsidiaries, the VIE for which Xunlei Limited is the primary beneficiary and the subsidiaries of the VIE. All significant transactions and balances among our subsidiaries, the variable interest entity and us have been eliminated upon consolidation.

A subsidiary is an entity in which we, directly or indirectly, control more than one-half of the voting power, or has the power to appoint or remove the majority of the members of the board of directors to cast a majority of the votes at meetings of the board of directors or to govern the financial and operating policies of the investee under a statute or agreement among the shareholders or equity holders.

An entity is considered to be a variable interest entity if the entity's equity holders do not have the characteristics of a controlling financial interest or do not have sufficient equity at risk for the entity to finance its activities without additional subordinated financial support from other parties.

We consolidate entities for which we are the primary beneficiary if the entity's equity holders do not have the characteristics of a controlling financial interest or do not have sufficient equity at risk for the entity to finance its activities without additional subordinated financial support from other parties.

In determining whether Xunlei Limited or its subsidiary is the primary beneficiary of a VIE, we considered whether we have the power to direct activities that are significant to the VIE's economic performance, including the power to appoint senior management, right to direct company strategy, power to approve capital expenditure budgets, and power to establish and manage ordinary business operation procedures and internal regulations and systems.

Management has evaluated the contractual arrangements among Giganology Shenzhen, Shenzhen Xunlei and its shareholders and concluded that Giganology Shenzhen receives all of the economic benefits and absorbs all of the expected losses from Shenzhen Xunlei and has the power to direct the aforementioned activities that are significant to Shenzhen Xunlei's economic performance, and is the primary beneficiary of Shenzhen Xunlei. Therefore, Shenzhen Xunlei and its subsidiaries' results of operation, assets and liabilities have been included in our consolidated financial statements. We monitor the regulatory risk associated with these contractual arrangements. The details of how we manage the regulatory risk are described in "Certain risk and concentration" in Note 28 to our audited consolidated financial statements for the years ended December 31, 2019, 2020 and 2021.

Non-controlling interests represent the portion of the net assets of a subsidiary attributable to interests that are not owned by our company. The non-controlling interests are presented in the consolidated balance sheets, separately from equity attributable to the shareholders of our company. Non-controlling interests in the results of our company is presented on the face of the consolidated statements of comprehensive (loss)/income as an allocation of the total income or loss for the year between non-controlling shareholders and the shareholders of our company.

Allowance for expected credit losses

Effective on January 1, 2020, we adopted Accounting Standards Update (ASU) 2016-13, Financial Instruments - Credit Losses (Topic 326) under a modified retrospective transition, which requires the measurement and recognition of expected credit losses for financial assets held at amortized cost with the cumulative-effect adjustment recognized to the opening balance of accumulated deficit of the Group as of January 1, 2020. ASU 2016-13 replaces the existing incurred loss impairment model with an expected loss methodology, referred to as a current expected credit losses (“CECL”) methodology, which will result in more timely recognition of credit losses. The CECL methodology requires that the full amount of expected credit losses for the lifetime of the financial instrument be recorded at the time it is originated or acquired, considering relevant historical experience, current conditions and reasonable and supportable macroeconomic forecasts that affect the collectability of financial assets, and adjusted for changes in expected lifetime credit losses subsequently, which may require earlier recognition of credit losses. Our accounts receivable, due from related parties, other current assets (including other receivables) and other long-term non-current assets (including other long-term receivables) are within the scope of ASC Topic 326.

We assessed the credit loss for accounts receivable with similar risk characteristics on a pool basis. The credit loss assessment for each pool was mainly based on past collection experience, consideration of current and future economic conditions and changes in our collection trends.

The allowances provided for accounts receivable was US\$9.3 million as of December 31, 2020 and US\$1.8 million as of December 31, 2021.

Taxation and Uncertain Tax Positions

Income taxes are accounted for under the asset and liability method. Deferred tax assets and liabilities are recognized for the future tax consequences attributable to differences between the financial statement carrying amounts of existing assets and liabilities and their respective tax bases and tax loss carry forwards. Deferred tax assets and liabilities are measured using enacted tax rates in effect for the year in which the difference is expected to be recovered or settled. The effect on deferred tax assets and liabilities of a change in tax rates is recognized in the consolidated statement of operations in the period that includes the enactment date. A valuation allowance is provided to reduce the carrying amount of deferred tax assets if it is considered more likely than not that some portion, or all, of the deferred tax assets will not be realized. The estimation of future taxable income involves significant judgments and estimates. Based on management’s estimated future taxable income management concluded that it is more likely than not that the net operating losses carried forward cannot be utilized prior to their respective expiration dates.

We adopted the ASC 740 “Income Taxes” regarding uncertain tax positions and evaluated our open tax positions that exist in each jurisdiction for each reporting period. If an uncertain tax position is taken or expected to be taken in a tax return, the tax benefit from that uncertain position is recognized in our consolidated financial statements if it is more likely than not that the position is sustainable upon examination by the relevant taxing authority.

We did not have any significant uncertain tax position and there was no effect on our financial position or results of operations as a result of implementing the ASC 740 “Income Taxes”. We recognize interest and penalties accrued on any unrecognized tax benefits as a component of income tax expense, if any.

PRC value-added tax

VAT payable on goods sold or taxable labor services provided by a general VAT taxpayer for a taxable period is the net balance of the output VAT for the period after crediting the input VAT for the period. In addition to the product revenues currently subject to VAT at a rate of 13% (17% before May 1, 2018 and 16% before April 1, 2019), our subscription revenue, live streaming revenue, cloud computing revenue, and online games revenue are now subject to VAT at a rate of 6%.

According to the policy of the State Taxation Administration of the PRC, starting from April 1, 2019 to December 31, 2021, enterprises that engage in postal services, telecommunication services and consumer services are entitled to

claim 110% of the input tax incurred as tax credit in determining VAT payable. The policy has been extended to December 31, 2022 by the State Taxation Administration of the PRC on February 18, 2022.

Commitments and Contingencies

In the normal course of business, we are subject to contingencies, such as legal proceedings and claims arising out of our business that cover a wide range of matters. Liabilities for such contingencies are recorded when it is probable that a liability has been incurred and the amount of the assessment can be reasonably estimated. In regard to legal cost, we recorded such costs as incurred.

Certain conditions may exist as of the date of the financial statements are issued, which may result in a loss to us, but which will only be resolved when one or more future events occur or fail to occur. Our management and legal counsel assess such contingent liabilities, and such assessment inherently involve an exercise of judgment. In assessing loss contingencies related to legal proceedings that are pending against us or unasserted claims that may result in such proceedings, we in consultation with our legal counsel and evaluate the perceived merits of any legal proceedings or unasserted claims as well as the perceived merits of the amount of relief sought or expected to be sought therein.

If the assessment of a contingency indicates that it is probable that a material loss has been incurred and the amount of the liability can be estimated, then the estimated liability would be accrued in our financial statements. If the assessment indicates that a potentially material loss contingency is not probable, but is reasonably possible, or is probable but cannot be estimated, then the nature of the contingent liability, together with an estimate of the range of possible loss, if determinable and material, would be disclosed.

We are involved in a number of cases pending in various courts. These cases are substantially related to alleged copyright infringement and routine and incidental matters to its business, among others. Adverse results in these lawsuits may include awards of damages and may also result in, or even compel, a change in our business practices, which could impact our future financial results. We have incurred US\$2.0 million, US\$1.0 million legal and litigation related expenses for 2019 and 2021, respectively, while we reversed US\$1.2 million legal and litigation related expense for 2020.

As of the date of this annual report, we have 17 lawsuits pending against us with an aggregate amount of claimed damages of approximately RMB10.9 million (US\$1.7 million) which occurred before December 31, 2021. Among these 17 pending lawsuits, nine of them were relating to the alleged copyright infringement in China. We have accrued for US\$1.0 million litigation related expenses in “Accrued expenses and other liabilities” in the consolidated balance sheet as of December 31, 2021, which is the most probable and reasonably estimable outcome.

We estimated the litigation compensation based on judgments handed down by the court, out-of-court settlements of similar cases as well as advices from our legal counsel. We are in the process of appealing certain judgments for which the losses had been accrued. Although the results of unsettled litigation and claims cannot be predicted with certainty, we do not expect that the outcome of these 17 lawsuits will result in the amounts accrued materially different from the range of reasonably possible losses. In the opinion of management, there was not at least a reasonable possibility we may have incurred a material loss, or a material loss in excess of a recorded accrual, with respect to loss contingencies for asserted legal and other claims. However, the outcome of litigation is inherently uncertain. Therefore, although management considers the likelihood of such an outcome to be remote, if one or more of these legal matters were resolved against us in a reporting period for amounts in excess of management’s expectations, our consolidated financial statements for that reporting period could be materially adversely affected.

Recent Accounting Pronouncements

See Item 18 of Part III, “Financial Statements—Note 2—Summary of significant accounting policies—Recent accounting pronouncements.”

B. Liquidity and Capital Resources

We have financed our operations primarily by using our existing internal cash reserves and borrowing bank loans. As of December 31, 2021, we had US\$239.0 million in cash and cash equivalents and short-term investments. As of the same date, we also had US\$4.1 million restricted cash, which represents cash deposited in a bank account due to legal or contractual restrictions, and US\$20.2 million outstanding bank loans for the construction of our headquarters building.

We have incurred accounts receivable from the sales of CDN and advertising revenue sharing with Itui. Thus, the financials of our customers purchasing CDN from us including Itui may affect our collection of accounts receivable. Any inability of CDN purchasers and Itui, especially those that accounted for a significant percentage of our accounts receivables in the past, to pay us in a timely manner may adversely affect our liquidity and cash flows.

In the future, we may rely on dividends and other distributions on equity paid by our wholly owned PRC subsidiaries for our cash and financing requirements. There may be potential restrictions on the dividends and other distributions by our PRC subsidiaries. For instance, if Giganology Shenzhen, our PRC subsidiary, incurs debt on its own behalf in the future, the instruments governing the debt may restrict its ability to pay dividends or make other distributions to us. The PRC tax authorities may require us to adjust our taxable income under the contractual arrangements Giganology Shenzhen currently has in place with Shenzhen Xunlei in a way that would materially and adversely affect the latter's ability to pay dividends and other distributions to us. In addition, under PRC laws and regulations, Giganology Shenzhen, as a wholly foreign-owned enterprise in the PRC, may pay dividends only out of its accumulated profits as determined in accordance with PRC accounting standards and regulations. Wholly foreign-owned enterprises such as Giganology Shenzhen are required to set aside at least 10% of their accumulated after-tax profits each year, if any, to fund a statutory reserve fund, until the aggregate amount of such fund reaches 50% of their respective registered capital. At their discretion, wholly foreign-owned enterprises may allocate a portion of their after-tax profits based on PRC accounting standards to staff welfare and bonus funds. These reserve funds and staff welfare and bonus funds are not distributable as cash dividends. See "Item 3. Key Information—D. Risk factors—Risk related to our corporate structure—We may rely principally on dividends and other distributions on equity paid by our PRC subsidiaries to fund any cash and financing requirements we may have. Any limitation on the ability of Giganology Shenzhen and Xunlei Computer to pay dividends to us could have a material adverse effect on our ability to conduct our business." In addition, our investment made as registered capital and additional paid in capital of our subsidiaries, the variable interest entity and its subsidiaries are also subject to restrictions in their distribution and transfer according to the laws and regulations in China. Owing to the above, our subsidiaries, variable interest entity and its subsidiaries in China are restricted in their ability to transfer their net assets to us in terms of cash dividends, loans or advances. As of December 31, 2021, the amount of the restricted net assets, which represents registered capital and additional paid-in capital cumulative appropriations made to statutory reserves, was US\$169.2 million.

As an offshore holding company, we are permitted, under PRC laws and regulations, to provide funding from the proceeds of our offshore fund raising activities to our PRC subsidiaries only through loans or capital contributions, and to the variable interest entity only through loans, subject to the satisfaction of the applicable government registration and approval requirements. See "Item 3. Key Information—D. Risk factors—Risks related to our corporate structure—PRC regulation of loans to, and direct investment in, PRC entities by offshore holding companies and governmental control of currency conversion may restrict or prevent us from making loans to our PRC subsidiaries and variable interest entity and its subsidiaries or making additional capital contributions to our PRC subsidiaries, which may materially and adversely affect our liquidity and our ability to fund and expand our business." As a result, uncertainties exist as to our ability to provide prompt financial support to our PRC subsidiaries or variable interest entity when needed. Notwithstanding the forgoing, Giganology Shenzhen may use its own retained earnings (as opposed to RMB converted from foreign currency denominated capital) to provide financial support to Shenzhen Xunlei either through extended payment terms on amounts due to Giganology Shenzhen from Shenzhen Xunlei, or via entrusted loans from Giganology Shenzhen to Shenzhen Xunlei, or direct loans to its nominee shareholders, which would be contributed to the variable interest entity as capital injection. Such direct loans to the nominee shareholders would be eliminated in the consolidated financial statements against the VIE's share capital.

We believe that our current cash and cash equivalents and anticipated cash flow from operations will be sufficient to meet our anticipated cash needs for the next 12 months. We may, however, need additional cash resources in the future

if we experience changes in business conditions or other developments. 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, we may seek to issue debt or equity securities or obtain additional credit facilities. However, if the impact of the COVID-19 on the economy becomes prolonged and greater than expected, our supplies may be disrupted, our customers may reduce their demand for our products and services, and banks may demand us to repay bank loans before their maturity. Our liquidity and capital resources would be significantly affected if this were to happen. We will closely monitor the impact of the COVID-19 on the economy and on our company.

Cash Flows

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

	For the Year Ended December 31,		
	2019	2020	2021
	(in thousands of US\$)		
Net cash (used in)/generated from operating activities	(45,649)	(13,911)	19,480
Net cash generated from/(used in) investing activities	79,260	(20,756)	(32,619)
Net cash generated from/(used in) financing activities	12,177	2,679	(223)
Net increase/(decrease) in cash, cash equivalents and restricted cash	45,788	(31,988)	(13,362)
Cash, cash equivalents and restricted cash at the beginning of year	122,930	165,448	138,789
Effect of exchange rates on cash, cash equivalents, and restricted cash	(3,270)	5,329	2,009
Cash, cash equivalents and restricted cash at end of year	165,448	138,789	127,436

As of December 31, 2021, we had cash or cash equivalents, including restricted cash, of US\$127.4 million in total, including RMB356.4 million (US\$55.9 million) and US\$30.9 million located within the PRC, of which RMB128.3 million (US\$20.1 million) and US\$0.6 million was held by the VIE, Shenzhen Xunlei, and its subsidiaries. We also had cash or cash equivalents of RMB132.0 thousand (US\$21.0 thousand), US\$35.8 million, HK\$1.4 million (US\$0.2 million) and THB1.7 million (US\$51 thousand) located outside of the PRC as of December 31, 2021.

Operating activities

Net cash generated from operating activities amounted to US\$19.5 million in 2021, which was primarily attributable to a net income of US\$1.1 million, adjusted for certain non-cash expenses consisting principally of the depreciation of property and equipment of US\$6.3 million, share-based compensation amortization expenses of US\$6.2 million, amortization of US\$1.9 million right-of-use assets, and a net change in working capital. The net change in working capital was primarily due to an increase in accounts receivable of US\$2.2 million, which was in line with the increase of cloud computing revenues, an increase in due from related parties of US\$8.5 million, mainly due to the increase of transaction amount with related parties, and an increase in accounts payable of US\$5.2 million, which was in line with the increased of bandwidth cost.

Net cash used in operating activities amounted to US\$13.9 million in 2020, which was primarily attributable to a net loss of US\$14.1 million, adjusted for certain non-cash expenses consisting principally of the depreciation of property and equipment of US\$9.3 million, allowance for doubtful accounts of US\$5.3 million, impairment of inventories of US\$3.3 million, and a net change in working capital. The net change in working capital was primarily due to a decrease in accounts receivable of US\$5.0 million, which was the settlement from customers before the year ended December 31, 2019, an increase in due from related parties of US\$8.6 million, which was in line with the increase of advertising services revenues, a decrease in accounts payable of US\$4.9 million, which was due to shorter payment term we made for our bandwidth purchases.

Net cash used in operating activities amounted to US\$45.6 million in 2019, which was primarily attributable to a net loss of US\$53.4 million, adjusted for certain non-cash expenses consisting principally of the depreciation of property and equipment of US\$5.8 million, share-based compensation of US\$5.4 million, impairment of long-term investments of US\$19.8 million, and a net change in working capital. The net change in working capital was primarily due to an increase

in accounts receivable of US\$8.7 million, which was in line with the increase of cloud computing revenues, an increase in accounts payable of US\$2.1 million, which was due to longer payment term we made for our bandwidth purchases, and a decrease in inventories of US\$3.4 million, which was due to the sale of Onething Cloud hardware.

Investing activities

Net cash used in investing activities largely reflects purchases of property and equipment in connection with the expansion and upgrade of our technology infrastructure, purchases of intangibles assets, acquisition of long-term investments, payments to purchase short-term investments such as treasury products, and acquisition of constructions in progress, which represents the construction cost in connection with our construction of Xunlei headquarters building.

Net cash used in investing activities amounted to US\$32.6 million in 2021, primarily attributable to proceeds from collection upon maturities of short-term investments of US\$342.0million, which was partially offset by our purchase of short-term investments of US\$337.7 million and loan to related party of US\$20.0 million.

Net cash used in investing activities amounted to US\$20.8 million in 2020, primarily attributable proceeds from collection upon maturities of short-term investments of US\$167.4 million, which was partially offset by our purchase of short-term investments of US\$177.1 million.

Net cash generated from investing activities amounted to US\$79.3 million in 2019, primarily attributable to proceeds from collection upon maturities of short-term investments of US\$450.7 million, which was partially offset by our purchase of short-term investments of US\$355.3 million.

Financing activities

Net cash used in financing activities amounted to US\$0.2 million in 2021, primarily attributable to proceeds from bank borrowings of US\$2.2 million, repayment of bank borrowings of US\$2.4 million.

Net cash generated from financing activities amounted to US\$2.7 million in 2020, primarily attributable to proceeds from bank borrowings of US\$7.8 million, repurchase of shares of US\$4.5 million.

Net cash generated from financing activities amounted to US\$12.2 million in 2019, primarily attributable to proceeds from bank borrowings of US\$11.3 million.

Material Cash Requirements

Our material cash requirements mainly include capital expenditures, contractual obligations and long-term debt obligations.

Capital expenditures

Our capital expenditures primarily consist of purchasing servers or other equipment for our business operations and payment for facility construction in progress. We made capital expenditures of US\$14.7 million in 2019, US\$13.6 million in 2020 and US\$13.2 million in 2021. We will continue to make capital expenditures to meet the expected growth of our business.

Contractual obligations

Our contractual obligations mainly include bandwidth lease obligations and capital obligations. The following table sets forth our contractual obligations as of December 31, 2021:

	<u>Total</u>	<u>Less than 1 year</u>	<u>1-3 years</u>	<u>3-5 years</u>	<u>Over 5 years</u>
	(in thousands of US\$)				
Bandwidth lease obligations	4,410	4,410	—	—	—
Capital obligations	18,291	17,993	298	—	—
Total	<u>22,701</u>	<u>22,403</u>	<u>298</u>	<u>—</u>	<u>—</u>

As of December 31, 2021, we had unconditional purchase obligations for switchboard, servers, office software and construction in progress that had not been recognized in the amount of US\$18.3 million.

Long term debt obligations

Our long term debt obligations primarily consist of bank borrowings and estimated interest payments. Our long term loan is bank borrowing for the construction of our headquarters building, and the interest rate is calculated based on the Loan Prime Rate plus 15 basis points. The bank borrowings will be due according to the following schedule:

	<u>Total</u>	<u>Less than 1 year</u>	<u>1-3 years</u>	<u>3-5 years</u>	<u>Over 5 years</u>
	(in thousands of US\$)				
Bank borrowings obligations	20,167	2,876	5,820	3,861	7,610
Estimated interest payment obligations	3,630	949	1,622	1,035	24
Total	<u>23,797</u>	<u>3,825</u>	<u>7,442</u>	<u>4,896</u>	<u>7,634</u>

We intend to fund our existing and future material cash requirements primarily with anticipated cash flows from operations, our existing cash balance and other financing alternatives. We will continue to make cash commitments, including capital expenditures, to support the growth of our business.

We have not entered into any financial guarantees or other commitments to guarantee the payment obligations of any third parties. We do not have retained or contingent interests in assets transferred. We have not entered into contractual arrangements that support the credit, liquidity or market risk for transferred assets. We do not have obligations that arise or could arise from variable interests held in an unconsolidated entity, or obligations related to derivative instruments that are both indexed to and classified in our own equity, or not reflected in the statement of financial position.

Other than as discussed above, we did not have any significant capital and other commitments, long-term obligations or guarantees as of December 31, 2021.

Off-balance sheet arrangements

We do not have any commitments or obligations, including contingent obligations, arising from arrangements with unconsolidated entities or persons that have or are reasonably likely to have a material current or future effect on our financial condition, changes in financial condition, revenues or expenses, results of operations, liquidity, cash requirements or capital resources. In addition, we have not entered into any derivative contracts that are indexed to our shares and classified as shareholders' equity or that are not reflected in our consolidated financial statements. Furthermore, we do not have any guarantees, retained or contingent interest in assets transferred to an unconsolidated entity, contractual arrangements that support the credit, liquidity or market risk for transferred assets; obligations that arise or could arise from variable interests held in an unconsolidated entity.

C. Research and Development

We believe that our commitment to research and development is an important contributing factor in our success. As of December 31, 2021, we had a team of 401 engineers. We provide our engineers with various continuing training programs and opportunities. To maintain and enhance our leadership position in the market, we will continue to compete for engineering talent and invest in research and development in order to provide better services to our users, subscribers and advertisers.

D. Trend Information

Other than as disclosed elsewhere in this annual report, we are not aware of any trends, uncertainties, demand, commitments or events for the year ended December 31, 2021 that are reasonably likely to have a material and adverse effect on our net revenues, income, profitability, liquidity or capital resources, or that would cause the disclosed financial information to be not necessarily indicative of future results of operations or financial condition.

E. Critical Accounting Estimates

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

We consider an accounting estimate to be critical if: (i) the accounting estimate requires us to make assumptions about matters that were highly uncertain at the time the accounting estimate was made, and (ii) changes in the estimate that are reasonably likely to occur from period to period or use of different estimates that we reasonably could have used in the current period, would have a material impact on our financial condition or results of operations. There are other items within our financial statements that require estimation but are not deemed critical, as defined above. Changes in estimates used in these and other items could have a material impact on our financial statements. See Item 18 of Part III, “Financial Statements—Note 2—Summary of significant accounting policies.”

Allowance for expected credit losses

For receivable with similar risk characteristics, we make estimates of expected credit losses on a pool based upon assessment of various factors, including historical experience, the age of the accounts receivable balances, credit-worthiness of the customers, consideration of current and future economic conditions and changes in our collection trends and other factors that may affect its ability to collect from the customers. We also provide specific provisions for allowance when facts and circumstances indicate that the receivable is unlikely to be collected. Expected credit losses are recorded as assets impairment loss on the consolidated statements of comprehensive income. Changes in these estimates and assumptions could materially affect the credit losses.

For loans to and trade receivables due from Itui, our largest shareholder and its subsidiaries, we adopted a CECL model based on probability-of-default method. Our management estimates the allowance for credit losses on loans and interest receivable not sharing similar risk characteristic on an individual basis. The key factors considered when determining the above allowances for credit losses include the age of the receivable balances, estimated collection schedule, discount rate, financial condition and performance data of Itui and its business development considering current and future economic conditions.

Valuation allowance of deferred tax assets

We make estimates and apply judgment in determining the provision for income taxes for financial reporting purposes. We make these estimates and judgments primarily in the following areas: (i) the calculation of tax credits, (ii) the calculation of differences in the timing of recognition of revenue and expense for tax reporting and financial statement purposes, as well as (iii) the calculation of interest and penalties related to uncertain tax positions. Changes in these estimates and judgments may result in a material increase or decrease to our tax provision, which would be recorded in the period in which the change occurs. Deferred tax assets and liabilities are recognized for expected future tax consequences of temporary differences between the financial reporting and tax bases of assets and liabilities, and for operating losses and tax credit carry forwards. We record a valuation allowance to reduce deferred tax assets to an amount for which realization is more likely than not. To assess uncertain tax positions, we apply a more likely than not threshold and a two-step approach for the tax position measurement and financial statement recognition. Under the two-step approach, the first step is to evaluate the tax position for recognition by determining if the weight of available evidence indicates that it is more likely than not that the position will be sustained, including resolution of related appeals or litigation processes, if any. The second step is to measure the tax benefit as the largest amount that is more than 50% likely of being realized upon settlement. This process is inherently subjective since it requires our assessment of the probability of future outcomes. We evaluate these uncertain tax positions on a quarterly basis, including consideration of changes in facts and circumstances, such as new regulations or recent judicial opinions, as well as the status of audit activities by taxing authorities. Changes in these estimates and assumptions could materially affect the tax position measurement and financial statement recognition. See Note 23 to the Consolidated Financial Statements for information regarding taxation.

Impairment of goodwill

Under U.S. GAAP, goodwill is not amortized but is tested for impairment on an annual basis, or more frequently if events or changes in circumstances indicate that it might be impaired. Application of a goodwill impairment test requires significant management judgment. Our goodwill was attributable to the Company as a whole. The impairment test for goodwill determines the fair value of the reporting unit, the Company as a whole, and compares it to the carrying value of the assets and liabilities, including goodwill, of the reporting unit.

For fair value of the company, we use a discounted cash flow model derived from the long-term (five-year) cash flow projections to estimate the fair value, which requires the use of inputs such as the forecasted future revenues, costs and operating expenses attributable to the company, terminal growth rate and the discount rate. Our estimates of these inputs require subjective management judgment and are inherently uncertain. Changes in our estimates of these inputs may cause us to record impairment in the future.

No goodwill impairment losses were recognized for the years ended December 31, 2019, 2020 and 2021 based on the impairment test performed by us. See Note 13 to the consolidated financial statements for information regarding goodwill.

Impairment of long-lived assets

We evaluate our long-lived assets for impairment whenever events or changes in circumstances indicate that the carrying amount of an asset may no longer be recoverable. Events that trigger a test for recoverability include material adverse changes in projected revenues or expenses, present cash flow losses combined with a history of cash flow losses and a forecast that demonstrates significant continuing and significant negative expectation of economic growth. When a triggering event occurs, a test for recoverability is performed. We assess the recoverability of the long-lived assets by comparing the carrying value of the long-lived assets to the estimated undiscounted future cash flows we expect to receive from the use of the assets and their eventual disposition at the lowest level of identifiable cash flows. An impairment charge is recognized for the amount by which the carrying value of the asset group exceeds its estimated fair value.

Inherent in the undiscounted future cash flows are assumptions and estimates derived from a review of business plan forecasts, expected growth rates, and market economy. Changes in assumptions or estimates can materially affect the fair value measurement.

Item 6. Directors, Senior Management and Employees**A. Directors and Senior Management**

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

Directors and Executive Officers	Age	Position/Title
Jinbo Li	46	Chairman and Chief Executive Officer
Sean Shenglong Zou	50	Co-Founder and Director
Yubo Zhang	45	Director and President
Peng Shi	34	Director
Hui Duan	42	Director
Jenny Wenjie Wu	47	Independent Director
Ya Li	52	Independent Director
Naijiang (Eric) Zhou	59	Chief Financial Officer

Mr. Jinbo Li has been our chairman and chief executive officer since April 2020. Mr. Li is a successful serial entrepreneur with more than 20 years' experience in China's internet and technology industry. Mr. Li was part of Xunlei's founding team and contributed to establishing and leading the core R&D team during the crucial early stage of Xunlei from 2004 to 2009. Mr. Li left Xunlei in January 2010 and acted as the chief executive officers of two internet ventures from 2010 to 2014. Mr. Li founded Itui International Inc., a company focusing on developing mobile applications for social networking services, in 2014 and acted as its chairman and chief executive officer since then. Mr. Li received his bachelor's degree in 1998 from Shandong University in China and master's degree in 2001 from Peking University in China.

Mr. Sean Shenglong Zou is one of our co-founders and served as our chief executive officer from our inception in February 2005 to July 2017 and chairman of the board from our inception in February 2005 to December 2017. Mr. Zou currently serves as a director of our company. Mr. Zou is an expert in distributed computing. Mr. Zou pioneered the theory of content-based multimedia indexing technology and resource discovery network that provides time-saving online experience for internet users and has led our company to revolutionize traditional internet acceleration by the technology and network. Mr. Zou received a master's degree in computer science from Duke University in the United States in 1998 and a bachelor's degree in computer science from University of Wisconsin-Madison in 1997.

Mr. Yubo Zhang has been serving as our president since April 2020. Prior to rejoining us in April 2020, Mr. Zhang served as the chief executive officer of Beijing Nesound International Media Corp, Ltd., or Nesound, from April 2015 to April 2020. During his tenure at Nesound, Mr. Zhang combined the respective advantages of live broadcasting and traditional film & television businesses and built a multifaceted platform incorporating self-produced exclusive contents, star development plans and Internet services. Mr. Zhang joined our company for the first time in August 2005 and was one of the core founding members of our company. During his ten years with us, Mr. Zhang served various management positions including a senior vice president of our company and the president of a major subsidiary of our company from August 2005 to March 2015. Mr. Zhang received his bachelor's degree in mechanical design and manufacturing from Jilin University of Technology in China in 1999.

Mr. Peng Shi has been serving as a director of our company since April 2020. Mr. Shi has also been serving as the president of product at Beijing Itui Technology Co., Ltd since March 2018. Prior to joining Beijing Itui, Mr. Shi served as the general manager at Qutoutiao Inc. Beijing branch from January 2018 to March 2018, the product director of Toutiao.com, a Chinese news and information content platform operated by Beijing Bytedance Technology Co., Ltd, from 2016 to 2017, the product vice president of Quanmin.tv, a live streaming platform operated by Shanghai Maimiao Information Technology Co., Ltd. from 2015 to 2016, the senior product officer of UCWeb Inc from May 2014 to June 2015, a senior product manager at Baidu, Inc. from April 2013 to May 2014, and a product manager at Qihoo 360 Technology Co., Ltd. from March 2010 to April 2013. Mr. Shi received his bachelor's degree in software engineering from Beihai College of Beihang University in China in 2011.

Mr. Hui Duan has been serving as a director of our company since April 2020. Mr. Duan currently also serves as the chief technology officer of Beijing Itui Technology Co., Ltd. Prior to that, Mr. Duan founded his own company that provided HR SaaS products and services from October 2015 to 2017. From April 2008 to April 2015, Mr. Duan served various management positions at Xunlei including vice president and the chief executive officer of a major subsidiary of Xunlei. Mr. Duan received his bachelor's degree in computer science from Peking University in 2001 and EMBA degree from China Europe International Business School in 2015.

Ms. Jenny Wenjie Wu has been serving as our independent director since June 2014 and is currently an independent non-executive director of Kingsoft Corporation Limited (3888.HK) and an independent non-executive director of BlueCity Holdings Limited (NASDAQ: BLCT). Ms. Wu served as the chief investment officer of New Hope Group from November 2018 to February 2020. Prior to joining New Hope Group, Ms. Wu was a founding and managing partner of Baidu Capital from November 2016 to November 2018. Ms. Wu successively served as the deputy chief financial officer, the chief financial officer, and the chief strategy officer at Trip.com Group Limited (NASDAQ: TCOM) from December 2011 to November 2016. Ms. Wu was an equity research analyst covering China Internet and Media industries in Morgan Stanley Asia Limited and in Citigroup Global Markets Asia Limited from 2005 to 2011. Prior to that, Ms. Wu worked in China Merchants Holdings (International) Company Limited (0144.HK), a company listed on the Hong Kong Stock Exchange, for three years. Ms. Wu has a Ph.D. degree in Finance from the University of Hong Kong, a master's degree in Finance from the Hong Kong University of Science and Technology, and both a master's degree and a bachelor's degree in Economics from Nankai University, China. Ms. Wu has been a Chartered Financial Analyst (CFA) since 2004.

Mr. Ya Li has been serving as our independent director since March 2017. Mr. Li founded Beijing Humanistic Intelligence Inc. in 2019 and currently serves as the chief executive officer of this company. Mr. Li currently is also a visiting research fellow and master's supervisor at Beijing University. From February 2015 to January 2019, Mr. Li served as the chief executive officer of Yidian Zixun. From May 2006 to September 2017, Mr. Li served successively as the chief operating officer, the chief financial officer, the president, and a director of Phoenix New Media (NYSE: FENG). From 2004 to 2006, Mr. Li served as the chief operating officer and the chief financial officer of Techedge Inc. From 2002 to 2006, Mr. Li served as the president of China Quantum Communications Inc. Mr. Li also served as directors for U.S. China Chamber of Commerce, Chinese Finance Society, National Council of Chinese Americans, and Council on U.S.-China Affairs from 1996 to 2005. Mr. Li holds an Executive MBA degree from the Wharton School at the University of Pennsylvania, a master degree in Computer Science from Temple University, and a bachelor degree in Control Systems Engineering from the University of Science & Technology of China.

Mr. Naijiang (Eric) Zhou has been serving as our chief financial officer since September 2017. Mr. Zhou has extensive professional experience covering corporate finance, financial planning and analysis, domestic and international investment project due diligence, and mutual fund and private equity investment research and management in the U.S. and in China. Most recently, Mr. Zhou was an interim chief financial officer at ChinaCache International Holdings Limited. Mr. Zhou served as a senior vice president of ChinaCache from September 2015 to June 2016. From February 2010 to December 2014, he served as the vice president of finance and the chief financial officer at Sutor Technology Group Limited. Prior to that, Mr. Zhou served in various roles, including an executive vice president and the chief financial officer at Richfield Investment Ltd., an equity research analyst at Roth Capital Partners, a principal financial planner at American Electric Power and a senior research analyst at U.S. Global Investors. Mr. Zhou obtained a bachelor's degree with honors in Petroleum Management Engineering from China Petroleum University, and both MBA in Finance and Ph.D. in Interdisciplinary Energy and Mineral Resources from the University of Texas at Austin. Mr. Zhou is a CFA charter holder.

B. Compensation

For the fiscal year ended December 31, 2021, we paid an aggregate of approximately US\$1.0 million in cash to our executive officers, and we paid approximately US\$0.9 million in cash compensation to our non-executive directors. In addition, we paid approximately US\$0.4 million in pension, housing funds, transportation subsidies and commercial insurance to our executive officers, and we did not set aside or accrued any amount to provide such benefits to our non-executive directors. For share incentive grants to our officers and directors under our share incentive plan, see “—Share Incentive Plan.” For restricted share grants outside the share incentive plan, see “—Share Incentive Plan.”

Share Incentive Plan

Our board of directors approved the termination of the 2010 share incentive plan, 2013 share incentive plan and 2014 share incentive plan (the “Existing Plans”), and adopted a 2020 share incentive plan, or the 2020 Plan, on June 30, 2020. Upon the termination of the Existing Plans, the awards that are granted and outstanding under the Existing Plans and the evidencing original award agreements shall survive the termination of the Existing Plans and remain effective and binding under the 2020 Plan, subject to any amendment and modification to the original award agreements that the Company shall determine. The restricted shares granted and outstanding under our 2013 share incentive plan and 2014 share incentive plan and held by Leading Advice Holding Limited on behalf of relevant grantees as of the termination of the Existing Plans shall still be by Leading Advice Holding Limited on behalf of those grantees under the 2020 Share Incentive Plan.

Under the 2020 Plan, the maximum aggregate number of common shares available for grant of awards is 31,000,000, consisting of (i) 9,667,230 common shares of the Company underlying the 1,933,446 American depositary shares the Company repurchased pursuant to the repurchase programs authorized by the Company in December 2014 and January 2016, (ii) 10,150,313 common shares of the Company reserved for issuance under the 2020 Plan, representing 10,150,313 common shares of the Company that were previously reserved under the Company’s 2010 share incentive plan but the corresponding share incentive awards had not been granted as of the termination of the Company’s 2010 share incentive plan, (iii) 10,889,429 common shares of the Company currently held by Leading Advice Holding Limited, the Company’s share incentive awards holding platform under the Company’s 2013 share incentive plan and 2014 share incentive plan, representing the amount of common shares of which the corresponding awards under the Company’s 2013 share incentive plan and 2014 share incentive plan had not been granted as of the termination of the Company’s 2013 share incentive plan and 2014 share incentive plan, and (iv) 293,028 common shares of the Company reserved for issuance under the 2020 Share Incentive Plan. Upon the termination of the Existing Plans and the adoption of the 2020 Plan, Leading Advice Holding Limited shall act as the holding platform of certain share incentive awards under the 2020 Share Incentive Plan and continue to hold 7,871,564 common shares of the Company under the 2020 Plan.

As of March 31, 2022, 25,184,475 restricted share units had been granted and outstanding under the 2020 Plan. As of March 31, 2022, there were also 480,000 unvested restricted shares that survived the termination of our previous share incentive plans and remained outstanding under the 2020 Plan. The following paragraphs summarize the terms of the 2020 Plan.

Types of awards. The 2020 Plan permits the awards of option, restricted share, restricted share unit or other types of award approved by the committee or the board.

Plan administration. The 2020 Plan shall be administered by the board or the compensation committee of the board to whom the board shall delegate the authority to grant or amend awards to participants other than any of the compensation committee members and independent directors.

Award agreement. Options, restricted shares, or restricted share units granted under the 2020 Plan are evidenced by an award agreement that sets forth the terms, conditions, and limitations for each grant.

Option exercise price. The exercise price per share subject to an option shall be determined by the compensation committee and set forth in the award agreement. The exercise price may be amended or adjusted in the absolute discretion of the compensation committee, the determination of which shall be final, binding and conclusive.

Eligibility. We may grant awards to our employees, consultants and all members of our board of directors, as determined by the board of directors.

Vesting schedule. In general, the plan administrator determines the vesting schedule, which is set forth in the award agreement.

Transfer restrictions. Except as otherwise provided by the committee or pursuant to the 2020 Plan, no awards shall be assigned, transferred, or otherwise disposed of other than by will or the laws of descent and distribution.

Termination. Unless terminated earlier, the 2020 Plan will expire automatically in June 2030. At any time and from time to time, our board of directors may terminate, amend or modify the 2020 Plan; provided, however, that (a) to the extent necessary and desirable to comply with applicable laws or stock exchange rules, shareholder approval is required for any amendment in such a manner and to such a degree as required, unless we decide to follow home country practice, and (b) unless we decide to follow home country practice, shareholder approval is required for any amendment to the 2020 Plan that (i) increases the number of shares available under the 2020 Plan, or (ii) permits the committee to extend the term of the 2020 Plan or the exercise period for an option beyond ten years from the date of grant.

The following table summarizes, as of March 31, 2022, the outstanding awards granted to our executive officers and directors under the 2020 plan.

Name	Number of restricted shares awarded ⁽¹⁾	Exercise price (US\$/share)	Date of grant	Date of expiration
Jinbo Li	6,693,040	—	May 25,2021	—
Yubo Zhang	6,693,040	—	May 25,2021	—
Naijiang (Eric) Zhou	*	—	March 1, 2018	—
Jenny Wenjie Wu,	*	—	April 29,2021	—
Ya Li	*	—	April 29,2021	—

(1) The number in this column does not include the common shares issued to the grantee upon vesting of restricted shares.

* Less than one percent of our total outstanding share capital.

As of March 31, 2022, our employees other than directors and executive officers as a group held 12,058,295 outstanding restricted shares and restricted share units that remain unvested. These restricted shares and restricted share units were granted on various dates from April 1, 2016 through September 1, 2021.

Employment Agreements

We have entered into employment agreements with each of our senior executive officers. We may terminate a senior executive officer's employment for cause at any time by giving written notice for certain acts of the officer, including: (i) conviction of a felony or act of fraud, misappropriation or embezzlement; (ii) gross negligence or dishonest to the detriment of our company; and (iii) material breach of the employment agreement. We may also terminate a senior executive officer's employment upon at least two months' prior written notice. A senior executive officer may terminate his or her employment by giving two-months' or three-months' prior notice.

Each senior executive officer has agreed that he or she shall not, at any time during the period of employment or after the termination of the period of employment, except for the benefit of our company, use or disclose any confidential information to any person, corporation or other entity without our written consent. Upon termination of the employment or at any other time when requested by us, the officer should promptly deliver to our company all documents and materials of any nature pertaining to his or her work with us and should provide written certification of his or her compliance with the employment agreement. Under no circumstances can the officer, following his or her termination, in his or her possession any property of our company, or any documents or materials containing any confidential information. The officer should not, during the employment term, (i) improperly use or disclose any proprietary information or trade secrets of any former employer or other person or entity with which the officer has a duty to keep in confidence information acquired by such officer, if any, or (ii) bring into the premises of our company any document or confidential or proprietary information belonging to the former employer unless consented to in writing by such employer. The officer will indemnify us and hold us harmless from and against all claims, liabilities, damages and expenses.

Each officer also agrees that during the term of employment and within one year of termination of employment, he or she will not approach clients, customers or contacts of our company or other persons or entities introduced to such officer in the his/her capacity as a representative of our company for the purposes of doing business with such persons or entities which will harm the business relationship between our company and such persons or entities. Unless consented to by us, the officer should not assume employment with or provide services as a director or otherwise for any of our

competitors, or engage in any competitor as a principal, partner, licensor or otherwise. The officer will not seek, directly or indirectly, by the offer of alternative employment or other inducement whatsoever, to solicit the services of any of our employees as at or after the date of the termination of such officer’s employment, or in the year preceding such termination.

C. Board Practices

Board of Directors

Our board of directors consists of seven directors. A director is not required to hold any shares in our company to qualify to serve as a director. All the powers of our company to borrow money and to mortgage or charge its undertaking, property and uncalled capital, or any part thereof and to issue debentures, debenture stock and other securities whenever money is borrowed or as a security for any debt, liability or obligation of our company or any third party, may only be carried out jointly by our chief executive officer and chief financial officer.

Board Diversity Matrix

Subject to the Nasdaq Stock Market rules, the below table sets forth our board diversity matrix as of the date of this annual report.

Board Diversity Matrix				
Country of Principal Executive Offices	People’s Republic of China			
Foreign Private Issuer	Yes			
Disclosure Prohibited Under Home Country Law	No			
Total Number of Directors	7			
	Female	Male	Non-Binary	Did Not Disclose Gender
Part I: Gender Identity				
Directors	1	6	0	0
Part II: Demographic Background				
Underrepresented Individual in Home Country Jurisdiction			0	
LGBTQ			0	
Did Not Disclose Demographic Background			1	

Committees of the Board of Directors

We have established an audit committee, a compensation committee and a nominating and corporate governance committee under the board of directors. We have adopted a charter for each of the three committees. Each committee’s members and functions are described below.

Audit committee

Our audit committee consists of Ms. Jenny Wenjie Wu and Mr. Ya Li, and is chaired by Ms. Jenny Wenjie Wu. Our board of directors has determined that each of Ms. Jenny Wenjie Wu and Mr. Ya Li satisfies the “independence” requirements of Rule 10A-3 under the Securities Exchange Act of 1934, as amended, and Rule 5605(a)(2) of the NASDAQ Listing 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:

- selecting the independent registered public accounting firm and pre-approving all auditing and non-auditing services permitted to be performed by the independent registered public accounting firm;

- reviewing with the independent registered public accounting firm any significant matters or difficulties encountered by the external auditors during the course of their audits and management's response;
- reviewing and approving all proposed related party transactions, as defined in Item 404 of Regulation S-K under the Securities Act;
- discussing the annual audited financial statements with management and the independent registered public accounting firm;
- reviewing significant matters as to the adequacy of our internal controls and any special procedures adopted by the external auditors in light of material control deficiencies;
- annually reviewing and reassessing the adequacy of our audit committee charter; and
- meeting separately and periodically with management and the independent registered public accounting firm.

Compensation committee

Our compensation committee consists of Ms. Jenny Wenjie Wu, Mr. Ya Li and Mr. Jinbo Li, and is chaired by Mr. Jinbo Li. Our board of directors has determined that each of Ms. Jenny Wenjie Wu and Mr. Ya Li satisfies the "independence" requirements of Rule 5605(a)(2) of the NASDAQ Listing Rules. The compensation committee assists the board in reviewing and approving the compensation structure, including all forms of compensation, relating to our directors and executive officers. Our chief executive officer may not be present at any committee meeting during which his compensation is deliberated upon. The compensation committee is responsible for, among other things:

- reporting regularly to the board;
- reviewing the total compensation package for our two most senior executives and making recommendations to the board with respect to it;
- approving and overseeing the total compensation package for our executives other than the two most senior executives;
- reviewing the compensation of our directors and making recommendations to the board with respect to it; and
- periodically reviewing and approving any long-term incentive compensation or equity plans, programs or similar arrangements, annual bonuses, and employee pension and welfare benefit plans.

Corporate governance and nominating committee

Our corporate governance and nominating committee consists of Ms. Jenny Wenjie Wu, Mr. Ya Li and Mr. Yubo Zhang, and is chaired by Mr. Yubo Zhang. Our board of directors has determined that each of Ms. Jenny Wenjie Wu and Mr. Ya Li satisfies the "independence" requirements of Rule 5605(a)(2) of the NASDAQ Listing Rules. The corporate governance and nominating committee assists the board in selecting individuals qualified to become our directors and in determining the composition of the board and its committees. The corporate governance and nominating committee is responsible for, among other things:

- recommending nominees to the board for election or re-election to the board, or for appointment to fill any vacancy on the board;
- reviewing annually with the board the current composition of the board with regards to characteristics such as independence, age, skills, experience and availability of service to us;

- selecting and recommending to the board the names of directors to serve as members of the audit committee and the compensation committee, as well as of the corporate governance and nominating committee itself;
- advising the board periodically with regards 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 the board on all matters of corporate governance and on any remedial 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 the skill 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 from time to time. Our company may have 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.

Terms of Directors and Executive Officers

Our directors may be elected by an ordinary resolution of our shareholders, or by the affirmative vote of a simple majority of our directors (which should include one non-independent director) present and voting at a meeting of our board of directors, and shall hold office until the expiration of his term and until his successor has been elected and qualified, or until such time as they are removed from office by ordinary resolution or the unanimous written resolution of all shareholders. A director will be removed from office automatically (i) if a simple majority of all directors determine at a duly called and constituted board meeting that such director has been guilty of actual fraud or willful neglect in performing his duties as a director, or (ii) if a director is notified of, and fails to attend, an aggregate of three duly called and constituted board meetings within any 365-day period. In addition, the office of a director will be vacated if such director (a) dies, becomes bankrupt or makes any arrangement or composition with his creditors, (b) is found to be or becomes of unsound mind, or (c) resigns his office by notice in writing to us.

D. Employees

As of December 31, 2021, we had 918 employees, including 132 in general administration, 650 in research and development and 136 in sales and marketing. We group our employees into three categories—research and development, sales and marketing and general administration. As required by PRC regulations, we participate in employee benefit plans organized by government authorities, including pensions, work-related injury benefits, medical benefits, maternity benefits, unemployment benefit and housing fund plans. We have granted stock options and restricted shares to management and key employees in order to reward their services and provide them with equity incentives. We maintain good employee relations and have not experienced any material labor disputes since our inception.

E. Share Ownership

For information regarding the share ownership of our directors and officers, see “Item 7. Major Shareholders and Related Party Transactions—A. Major Shareholders.” For information as to stock options granted to our directors, executive officers and other employees, see “Item 6. Directors, Senior Management and Employees—B. Compensation—Share Incentive Plans.”

Item 7. Major Shareholders and Related Party Transactions

A. Major Shareholders

Except as specifically noted, the following table sets forth information with respect to the beneficial ownership of our shares as of March 31, 2022 held by:

- each of our current directors and executive officers; and
- each person known to us to beneficially own more than 5% of our common shares.

Percentage of beneficial ownership is based on 337,427,946 total outstanding common shares as of March 31, 2022, excluding (i) 10,889,929 common shares held by Leading Advice Holdings Limited, a share incentive awards holding platform, and (ii) 20,559,830 common shares, consisting of shares issued to our depository bank for bulk issuance of ADSs reserved for future issuances upon the exercise or vesting of awards granted under our share incentive plans and shares repurchased by us but not yet cancelled.

Beneficial ownership is determined in accordance with the rules and regulations of the SEC. These rules generally provide that a person is the beneficial owner of securities if such person has or shares the power to vote or direct the voting of securities, or to dispose or direct the disposition of securities or has the right to acquire such powers within 60 days. In computing the number of shares beneficially owned by a person and the percentage ownership of that person, we have included shares that the person has the right to acquire within 60 days of March 31, 2022, including through the exercise of any option, warrant or other right or the conversion of any other security, in both the numerator and the denominator. These shares, however, are not included in the computation of the percentage ownership of any other person.

	Common Shares Beneficially Owned	
	Number	%†
Directors and executive officers**:		
Jinbo Li ⁽¹⁾	136,364,999	40.0 %
Sean Shenglong Zou ⁽²⁾	22,931,611	6.8 %
Yubo Zhang	*	*
Peng Shi	—	—
Hui Duan	—	—
Jenny Wenjie Wu	*	*
Ya Li	*	*
Naijiang (Eric) Zhou	*	*
All directors and executive officers as group	163,310,505	47.5 %
Principal shareholders:		
Itui International Inc. ⁽³⁾	133,018,479	39.4 %
Sean Shenglong Zou ⁽²⁾	22,931,611	6.8 %

Notes:

* Less than 1% of the total outstanding common shares.

** The business address of Messrs Jinbo Li, Sean Shenglong Zou, Yubo Zhang, Naijiang (Eric) Zhou and Ms. Jenny Wenjie Wu is 21-23/F, Block B, Building #12, 18 Shenzhen Bay ECO-Technology Park, Keji South Road, Yuehai Street, Nanshan District, Shenzhen, 518057, the People's Republic of China. The business address of Mr. Peng Shi and Mr. Hui Duan is Room 407, Taixing Building, No.11 Huayuan East Road, Haidian District, Beijing 100089, China. The business address of Mr. Ya Li is Room 1B-2901 Park 1872, 217 Ba Li Zhuang Bei Li, Chaoyang District, Beijing, China.

† For each person and group included in this column, percentage ownership is calculated by dividing the number of common shares beneficially owned by such person or group, including shares that such person or group has the right

to acquire within 60 days of March 31, 2022, by the sum of (i) the total number of outstanding common shares as of March 31, 2022, 337,427,946, and (ii) the number of common shares underlying share options, restricted shares, and warrants held by such person or group that are exercisable within 60 days of March 31, 2022.

- (1) Mr. Jinbo Li, through his holding vehicle, owns 19.4% of the total outstanding shares (equal to 54.5% of the total voting power of all outstanding shares) of Itui International Inc., which in turn owns 101,820,239 common shares and 6,239,648 ADSs of our company. In addition, there are 3,346,520 common shares issuable to Mr. Li upon the exercise of options within 60 days after March 31, 2022. By virtual of his controlling interest in Itui International Inc. and upon the exercise of granted options, Mr. Jinbo Li is deemed to be a beneficial owner of 136,364,999 common shares of our company.
- (2) Represents (i) 2,186,322 ADSs and one common share directly held by Vantage Point Global Limited, a British Virgin Islands company which is 100% beneficially owned by Mr. Zou through a family trust, and (ii) 2,400,000 ADSs held by Eagle Spirit LLC, a Delaware limited liability company, which is wholly owned by a Choice & Chance Limited, a wholly owned subsidiary of Mr. Zou, and Mr. Zou is the sole director of Eagle Spirit LLC.
- (3) Represents 101,820,239 common shares and 6,239,648 ADSs held by Itui International Inc., a limited liability company incorporated under the laws of the Cayman Islands. Mr. Jinbo Li, our chairman and chief executive officer, through his holding vehicle, owns 19.4% of the total outstanding shares (equal to 54.5% of the total voting power of all outstanding shares) of Itui International Inc. Xiaomi Ventures Limited owns 16.3% of the total outstanding shares of Itui International Inc. and has a veto right in determining how Itui International Inc.'s voting power should be exercised when Itui International Inc. votes as a shareholder of our company on certain matters in relation to our company. As a result, Mr. Jinbo Li and Xiaomi Ventures Limited are deemed to be beneficial owners of, and share voting and dispositive power over, 101,820,239 common shares and 6,239,648 ADSs held by Itui International Inc. Xiaomi Ventures Limited is wholly owned by Xiaomi Corporation, a limited liability company organized under the laws of the Cayman Islands and listed on the Hong Kong Stock Exchange (Stock code: 1810). The business address of Xiaomi Ventures Limited is Start Chambers, Wickham's Cay II, P. O. Box 2221, Road Town, Tortola, British Virgin Islands. The business address of Itui International Inc. is Room 407, 4/F, Taixing Building, 11 Huayuan East Road, Haidian District, Beijing, the People's Republic of China.

To our knowledge, as of March 31, 2022, 257,537,789 of our outstanding common shares were held by two record holders in the United States including 257,537,785 common shares held by The Bank of New York Mellon, the depository of our ADS program. The number of our common shares held by The Bank of New York Mellon include 20,559,830 common shares (i) issued to the depository bank for bulk issuance of ADSs reserved for future issuances upon the exercise or vesting of awards granted under our share incentive plans, and (ii) repurchased by our company but not yet cancelled. None of our shareholders has informed us that he or she is affiliated with a registered broker-dealer or is in the business of underwriting securities. We are not aware of any arrangement that may, at a subsequent date, result in a change of control of our company.

B. Related Party Transactions

Contractual arrangements with our PRC variable interest entity and its shareholders

Due to current legal restrictions on foreign ownership and investment in value-added telecommunications services in China, we conduct our operations in China principally through a series of contractual arrangements with the variable interest entity and its shareholders in China. For a description of these contractual arrangements, see "Item 4. Information on the Company—C. Organizational Structure."

Shareholders agreement

In connection with the issuance of our series E preferred shares, we entered into a seventh amended and restated shareholders agreement in April 2014 with our shareholders and relevant parties therein. Except for the registration rights, all preferred shareholders' rights automatically terminated upon the completion of our initial public offering. Additionally, the co-founders have agreed to the transfer restrictions imposed on an aggregate number of 39,934,162 common shares

beneficially owned by the co-founders. Accordingly, the co-founders are unable to transfer the relevant shares to any third party until April 24, 2019 or April 24, 2018, as the case may be. The registration rights we granted to certain of our shareholders expired on the fifth anniversary of the completion of our initial public offering in June 2014.

Employment agreements

See “Item 6. Directors, Senior Management and Employees—B. Compensation—Employment agreements.”

Share incentives

See “Item 6. Directors, Senior Management and Employees—B. Compensation—Share incentive plan.”

In relation to our 2013 Plan and 2014 Plan, we have appointed Leading Advice Holdings Limited, or Leading Advice, as the administrator of both plans. On behalf of us, Leading Advice executes actions based on our instruction to select the eligible grantees, to determine the number of awards and the conditions and provision of such awards, including but not limited to the vesting schedule and acceleration of the awards.

Leading Advice is not entitled to the following rights in relation to the shares registered under its name: (i) dividends, (ii) voting powers prior to vesting of relevant shares and (iii) transfer of the unvested portion of the awards or awards that have not been granted. In addition, upon the liquidation or the dissolution of Leading Advice or the expiration of the relevant plan, common shares not granted as awards shall be transferred back to us at no consideration.

For the awards that have been granted and become vested, Leading Advice will solicit voting instructions from each grantee, and vote in accordance with such instructions. The grantees will be entitled to dividends and have the right to request Leading Advice to transfer vested awards to a transferee designated by the grantees.

Advance extended to a director

We extended an advance amounting to RMB60,000 to Mr. Shenglong Zou in 2014 for business purposes of setting up certain companies in China to operate a part of our business and consolidate the financial results of such business into the financial statements of our company. As of the December 31, 2021, the advance to Mr. Shenglong Zou remained outstanding.

Intellectual property framework agreement between Shenzhen Xunlei and Xunlei Computer

On December 24, 2013, Shenzhen Xunlei and Xunlei Computer entered into a technology development and software license framework agreement. The term of the agreement is two years from the date of its execution.

Under this framework agreement, Xunlei Computer provides Shenzhen Xunlei with technology development services according to Shenzhen Xunlei’s business needs. Any new intellectual property resulting from the technology development services is owned by Xunlei Computer, and cannot be substituted or sub-licensed to any third party by Shenzhen Xunlei without the prior written consent of Xunlei Computer. During the term of the framework agreement, with respect to each technology development project, Shenzhen Xunlei and Xunlei Computer will separately sign technology development (services) agreements, which set out the specific terms and amount of consideration, all subject to the terms of the framework agreement.

In addition, under the framework agreement, Xunlei Computer grants Shenzhen Xunlei a non-exclusive and limited right to use certain specified proprietary software that Xunlei Computer owns. With respect to the licensing of each software, Shenzhen Xunlei and Xunlei Computer will separately sign software licensing agreements, which will set out the specific terms and the amount of licensing fee, all subject to the terms of the framework agreement.

In relation to cooperation under the framework agreement, Xunlei Computer and Shenzhen Xunlei entered into four agreements in 2013 for Xunlei Computer’s technology development services and its software license and Giganology

Shenzhen has agreed to the execution of these agreements and the relevant services and licenses between Xunlei Computer and Shenzhen Xunlei.

For the years ended December 31, 2019, 2020 and 2021, the aggregate amount of the fees that have been incurred by Shenzhen Xunlei for the technology development services and the software license provided by Xunlei Computer under the framework agreement was US\$6.5 million, US\$6.4 million and US\$7.2 million, respectively.

Transactions with Xiaomi

In December 2013, we entered into a Cooperation Framework Agreement with Millet Communication Technology Co., Ltd., or Millet Communication, a company controlled by one of our shareholders, Xiaomi Ventures Limited. Parties would enter into separate agreements to carry detailed cooperation.

Xunlei Accelerator Mobile Pre-installing Services Agreement. In 2014, we entered into a Xunlei Accelerator Mobile Pre-installing Services Agreement, or the Pre-installing Services Agreement, with Beijing Xiaomi Mobile Software Co., Ltd., or Beijing Xiaomi, a company controlled by one of our shareholders, Xiaomi Ventures Limited. Through such cooperation, Xiaomi phones would be pre-installed with our mobile acceleration applications and Xiaomi phone users would have access to our acceleration services. We provided such pre-installing service at no charge which was consistent with our pre-installing agreements with other unrelated parties. The Pre-installing Services Agreement had a term of one year, which is renewed on a yearly basis. Parties renewed such agreement in 2015 and 2016. In 2017, we entered into a supplemental agreement of the Pre-installing Services Agreement, or the Supplemental Agreement, with another Xiaomi group company, Guangzhou Millet Information Service Co., Ltd., or Guangzhou Millet. Pursuant to the Supplemental Agreement, Guangzhou Millet replaced Beijing Xiaomi under the Pre-installing Services Agreement. Parties further agreed in the Supplemental Agreement that Guangzhou Millet will share with us a portion of the revenue generated from the advertising services offered by Guangzhou Millet through Xunlei Accelerator that we pre-installed in Xiaomi's mobile phones as compensation for technology solution services we provided to Guangzhou Millet. The Supplemental Agreement had a term of two years from mid-June 2017 to mid-June 2019 and was automatically extended for another two years from mid-June 2019 to mid-June 2021. In 2021, we renewed the supplemental agreement of the pre-installing services agreement, with another Xiaomi group company, Shenzhen Xiaomi Information Service Co.Ltd., or Shenzhen Xiaomi. Pursuant to the renewed supplemental agreement, Shenzhen Xiaomi replaced Guangzhou Millet under the pre-services agreement. The renewed supplemental agreement has a term of two years from mid-June 2021 to mid-June 2023. In 2021, we recognized a revenue of US\$2.6 million from Guangzhou Millet and Shenzhen Xiaomi. As of December 31, 2021, the amount of outstanding revenue from Shenzhen Xiaomi was US\$1.5 million.

Cloud Computing Service Agreement. We entered into an agreement with Millet Communication in 2015, an agreement with Beijing Xiaomi in 2017 and an agreement with Xiaomi Technology in April 2019 to provide cloud computing services at market prices based on the actual usage. Millet Communication, Beijing Xiaomi and Xiaomi Technology are companies controlled by one of our shareholders, Xiaomi Ventures Limited. In 2021, our total cloud computing revenue was US\$2.8 million from Xiaomi Technology. As of December 31, 2021, the amount of outstanding cloud computing revenue was US\$0.8 million from Xiaomi Technology.

Advertising Services Agreement. We entered into an agreement with Shenzhen Xiaomi to provide advertising service on its advertising platform. We are entitled to receive a mutually agreed sharing of net advertising revenue. In 2021, our total advertising revenue from Shenzhen Xiaomi was US\$0.4 million and the amounts of outstanding advertising revenue was US\$30 thousands.

Transactions with Itui International Inc.

Advertising services Agreement. In May 2020, we entered into a user traffic monetization agreement with Itui. Pursuant to the agreement, Itui will be responsible for operating our advertising services and share a portion of revenue generated from placing advertisements on our PC websites and mobile platform. The agreement has a term of one year and was renewed for another one year from mid-May 2021 to mid-May 2022. In 2021, we recognized a net revenue of US\$11.6 million from placing advertisements on our PC websites and mobile platform from Itui. As of December 31, 2021, the amount of outstanding advertising services revenue from Itui was US\$12.5 million.

Cloud Computing Service Agreement. We entered into an agreement with Itui in July 2019 to provide cloud computing services at the market price and renewed the agreement in July 2020 and July 2021. The renewed agreement has a term of one year. In 2021, we generated cloud computing revenue of US\$0.8 million from Itui. As of December 31, 2021, the amount of outstanding cloud computing revenue from Itui was US\$0.9 million.

Term Loan Agreement. In September 2021, we approved to provide a term loan in the amount of US\$20 million to Chizz (HK) Limited, a company controlled by Itui, our largest shareholder. The loan has a term of two years and the interest of the loan is 3% per annum. The Audit Committee of our company had also approved the transaction. As of March 31, 2022, the term loan remained unpaid.

Acquisition of Yunwang Wulian

In September 2020, Xunlei Wangwenhua entered into a share purchase agreement with the shareholders of Shenzhen Yunwang Wulian Technology Co., Ltd., or Yunwang Wulian, formerly known as Shenzhen Qianhai Shanxian Daojia Technology Co., Ltd. to acquire 100% equity interests of Yunwang Wulian for nil cash consideration. Mr. Weimin Luo, currently a strategy consultant of our company, was a shareholder of Yunwang Wulian controlling 60% of all equity interests of Yunwang Wulian before the transaction. When Yunwang Wulian was acquired, it had a net debt of approximately RMB5.4 million. Yunwang Wulian was a company principally operating an internet platform for food delivery services. The purpose of this acquisition is to acquire the skilled talents of Yunwang Wulian.

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 have been involved in legal proceedings related to our business from time to time and expect to continue to be involved in such proceedings in the future. Internet services and content providers such as ours are frequently involved in litigation based on intellectual property-related claims. See “Item 3. Key Information—D. Risk factors—Risks related to our business—We face and expect to continue to face copyright infringement claims and other related claims, including claims based on content available through our services, which could be time-consuming and costly to defend and may result in damage awards, injunctive relief and/or court orders, divert our management’s attention and financial resources and adversely impact our business.”

We were subject to a number of lawsuits in China for alleged copyright infringements over the years, a number of which are still outstanding as of the date of this annual report. In addition, two putative shareholder class action lawsuits were filed in the United States District Court for the Southern District of New York against our company and certain current and former officers and directors of our company: *Dookeran v. Xunlei Limited, et al.* (filed on January 18, 2018, Case No. 18-cv-467 (S.D.N.Y.)), and *Peng Li v. Xunlei Limited, et al.* (filed on January 24, 2018, Case No. 18-cv-646 (S.D.N.Y.)). Purporting to sue on behalf of all investors who purchased or acquired Xunlei stock from October 10, 2017 to January 11, 2018, plaintiffs alleged that certain statements regarding OneCoin in the company’s press releases and on a quarterly investor call were false and misleading because, among other things, they failed to disclose that OneCoin was a disguised “initial coin offering” and “initial miner offering” and constituted “unlawful financial activity.” Plaintiffs sought to recover under Sections 10(b) and 20(a) of the U.S. Securities Exchange Act of 1934 and Rule 10b-5 thereunder. On April 12, 2018, the court consolidated the actions under the caption *In re Xunlei Limited Securities Litigation*, No. 18-cv-467 (PAC) and appointed lead plaintiffs who filed a consolidated amended complaint on June 4, 2018. We filed a motion to dismiss the amended complaint on August 3, 2018. In September 2019, the U.S. District Judge for the Southern District of New York, Paul A. Crotty, dismissed the two consolidated federal securities class action with prejudice because

Xunlei's use of blockchain technology to reward OneCoin (later named as LinkToken) to customers for sharing excess storage and bandwidth did not amount to an initial coin offering and thus did not violate Chinese law. As our OneCoin rewarding program was not illegal, the court concluded we did not make a misrepresentation or omit material facts in failing to describe the Rewards Program as an illegal initial coin offering. The court also ruled that the complaint failed to plead facts giving rise to a strong inference of an intent to deceive, manipulate, or defraud.

Although legal proceedings are inherently uncertain and their results cannot be predicted, we have not been, nor are we currently a party to or aware of, any legal proceeding, investigation or claim that, in the view of our management, is likely to materially and adversely affect our business, financial position or results of operations.

Dividend Policy

We have not previously declared or paid cash dividends. Subject to our ongoing financial performance, cash position, budget and business plan and market conditions, we may consider paying special dividends. However, we do not plan to pay dividends 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 subsidiaries in China for our cash requirements, including any payment of dividends to our shareholders. PRC regulations may restrict the ability of our PRC subsidiaries to pay dividends to us. See "Item 4. Information on the Company—B. Business Overview—Regulation—Regulation on dividend distributions."

Our board of directors has discretion as to whether to distribute dividends, subject to applicable laws. In addition, our shareholders may by ordinary resolution declare dividends, but no dividend may exceed the amount recommended by our board of directors. Even if our board of directors decides to pay dividends, the form, frequency and amount will depend upon our future operations and earnings, capital requirements and surplus, general financial condition, contractual restrictions and other factors that the board of directors may deem relevant. Under Cayman Islands law, we may declare and pay dividends on our shares only out of our profit or our share premium account, provided always that even if our company has sufficient profit or share premium, we may not pay a dividend if this would result in our company being unable to pay our debts as they fall due in the ordinary course of business. If we pay any dividends on our common shares, we will pay those dividends which are payable in respect of the underlying common shares represented by our ADSs to the depository, as the registered holder of such common shares, and the depository then will pay such amounts to our ADS holders in proportion to the common shares underlying the ADSs held by such ADS holders, subject to the terms of the deposit agreement, including the fees and expenses payable thereunder. See "Item 12. Description of Securities Other than Equity Securities—D. American Depositary Shares." Cash dividends on our common shares, if any, will be paid in U.S. dollars.

B. Significant Changes

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

Item 9. The Offer and Listing

A. Offering and Listing Details

Our ADSs have been listed on The NASDAQ Global Select Market since June 24, 2014. Our ADSs currently trade on The NASDAQ Global Select Market under the symbol "XNET." One ADS represented five common shares.

B. Plan of Distribution

Not applicable.

C. Markets

Our ADSs have been listed on NASDAQ Global Select Market since June 24, 2014 under the symbol “XNET.”

D. Selling Shareholders

Not applicable.

E. Dilution

Not applicable.

F. Expenses of the Issues

Not applicable.

Item 10. Additional Information

A. Share Capital

Not applicable.

B. Memorandum and Articles of Association

We incorporate by reference into this annual report the description of our eighth amended and restated memorandum and seventh amended and restated articles of association contained in our F-1 registration statement (File No. 333-196221), initially filed with the SEC on June 12, 2014. The eighth amended and restated memorandum and seventh amended and restated articles of association were adopted by our shareholders by special resolutions passed on June 11, 2014, and became effective immediately upon completion of our initial public offering of our common shares represented by ADSs.

C. Material Contracts

We have not entered into any material contracts other than in the ordinary course of business and other than those described in “Item 4. Information on the Company” or elsewhere in this annual report on Form 20-F.

D. Exchange Controls

See “Item 4. Information on the Company—Business Overview—Regulation— Regulation on foreign exchange control and administration.”

E. Taxation

Cayman Islands Taxation

According to Maples and Calder (Hong Kong) LLP, our Cayman Islands legal counsel, 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 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 the shares will not be subject to taxation in the Cayman Islands and no withholding will be required on the payment of a dividend or capital to any holder of the Shares, nor will gains derived from the disposal of the shares be subject to Cayman Islands income or corporation tax.

People's Republic of China Taxation

Under the PRC EIT Law, an enterprise established outside the PRC with “de facto management bodies” within the PRC is considered a “resident enterprise” of the PRC. A circular issued by the SAT on April 22, 2009 clarified that dividends and other income paid by such resident enterprises will be considered PRC-source income and subject to PRC withholding tax, currently at a rate of 10%, when paid to non-PRC enterprise shareholders. Under the implementation regulations to the EIT Law, a “de facto management body” is defined as a body that has material and overall management and control over the manufacturing and business operations, personnel and human resources, finances and properties of an enterprise. In addition, the circular mentioned above specifies that certain offshore enterprises controlled by PRC resident enterprises will be classified as PRC resident enterprises if the following are located or resident in the PRC: senior management personnel and departments that are responsible for daily production, operation and management; financial and personnel decision making bodies; key properties, accounting books, the company seal, and minutes of board meetings and shareholders’ meetings; and half or more of the senior management or directors having voting rights. We do not believe we would be treated as a “resident enterprise” for PRC tax purposes even if the criteria for “de facto management body” as set forth in the circular mentioned above were deemed applicable to us. See “Item 3. Key Information —D. Risk factors—Risks related to doing business in China—Our global income may be subject to PRC taxes under the PRC EIT Law, which may have a material adverse effect on our results of operations.” However, if the PRC tax authorities determine that we are 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 non-resident enterprise shareholders, including the holders of our ADSs and non-resident enterprise holders may be subject to PRC tax on gains realized on the sale or other disposition of ADSs or common shares. It is unclear whether our non-PRC individual shareholders (including our ADS holders) would be subject to any PRC tax on dividends or gains in the event we are determined to be a PRC resident enterprise. If any PRC tax were to apply to such dividends or gains, it would generally apply at a rate of 20% (unless a reduced rate is available under an applicable tax treaty).

If we are deemed to be a PRC resident enterprise and our non-resident enterprise shareholders (including our ADS holders) are subject to PRC tax as described above, the withholding agent will be required to withhold enterprise income tax on payments of dividends to such investors. The withholding agent must obtain a tax withholding registration and withhold the enterprise income tax from each payment made to non-resident enterprise shareholders and file a report to the competent tax authorities. Where the withholding agent fails or is unable to perform its withholding obligation, the non-resident enterprise shareholders must pay the tax due to the applicable tax authorities within seven days after the payment is made or due. We, as the withholding agent, will be required to obtain a tax withholding registration and withhold the applicable enterprise income tax in order to comply with the above requirements. It is not clear who the withholding agent would be if tax is due on capital gains. In the event that we or our non-resident enterprise shareholders (including our ADS holders) fail to comply with the above procedures, we or our non-resident enterprise shareholders (including our ADS holders) may be ordered to rectify the non-compliance or be subject to a fine of no more than RMB10,000. Failure by us to withhold the income tax fully and timely may result in a fine of 50% to three times of the unpaid tax and failure by our ADS holders to pay the tax fully and timely may result in late payment penalties, or a fine of 50% to five times of the unpaid tax.

In addition, if we are treated as a PRC resident enterprise for enterprise income tax purposes, we may be eligible for the benefits of the income tax treaty between the PRC and other jurisdictions in which we may derive income, such as the United States. However, if we are treated as a PRC resident enterprise, we do not expect to withhold at treaty rates if any withholding is required on dividends we pay to our non-resident shareholders (including our ADS holders) notwithstanding such holders may be eligible for the income tax treaty between their resident jurisdictions and the PRC. The United States—PRC tax treaty generally limits PRC withholding on dividends to a rate of 10%. Investors should consult their tax advisors regarding the availability of treaty benefits and the procedure for claiming a refund, if any.

If we are not deemed a PRC resident enterprise, no PRC income tax will be withheld from dividends distributed by us and no PRC income tax will be payable on gains realized from the sale or other disposition of our shares or ADSs

by the non-resident holders of our shares or ADSs. SAT Circular 7 further clarifies that, where a non-resident enterprise derives income by acquiring and selling shares in an offshore listed enterprise in the public market, such income shall not be subject to PRC tax. However, given the uncertainty concerning the application of SAT Public Notice 37 and SAT Circular 7, we and our non-PRC resident investors may be at risk of being required to file a return and being taxed under SAT Public Notice 37 and SAT Circular 7, and we may be required to expend valuable resources to comply with SAT Public Notice 37 and SAT Circular 7 or to establish that we should not be taxed under SAT Public Notice 37 and SAT Circular 7 in the future.

United States Federal Income Tax Considerations

The following discussion is a summary of the United States federal income tax considerations relating to the ownership and disposition of our ADSs or common shares by a U.S. Holder (as defined below) that holds our ADSs as “capital assets” (generally, property held for investment) under the United States Internal Revenue Code of 1986, as amended, or the Code. This discussion is based upon existing United States federal income tax law, which is subject to differing interpretations or change, possibly with retroactive effect. There can be no assurance that the Internal Revenue Service (the “IRS”) or a court will not take a contrary position. This discussion does not address all aspects of United States federal income taxation that may be important to particular investors in light of their individual investment circumstances, including investors subject to special tax rules (for example, certain financial institutions, banks, insurance companies, regulated investment companies, real estate investment trusts, broker-dealers, traders in securities that elect mark-to-market treatment, partnerships and their partners, and tax-exempt organizations (including private foundations), holders who are not U.S. Holders, cooperatives, pension plans, U.S. expatriates, persons who acquired ADSs or common shares pursuant to the exercise of any employee share option or otherwise as compensation, holders who own (directly, indirectly or constructively) 10% or more of our stock (by vote or value), holders that hold their ADSs or common shares as part of a straddle, hedge, conversion, constructive sale or other integrated transaction or holders that have a functional currency other than the United States dollar, all of whom may be subject to tax rules that differ significantly from those summarized below). In addition, except to the extent described below, this discussion does not discuss any state, local, alternative minimum tax, non-United States tax, non-income tax (such as gift or estate tax), or the Medicare tax considerations. U.S. Holders are urged to consult their tax advisors regarding the United States federal, state, local, and non-United States income and other tax considerations relating to the ownership and disposition of our ADSs or common shares.

General

For purposes of this discussion, a “U.S. Holder” is a beneficial owner of our ADSs or common shares that is, for United States federal income tax purposes, (i) an individual who is a citizen or resident of the United States, (ii) a corporation (or other entity treated as a corporation for United States federal income tax purposes) created in, or organized under the laws of, the United States or any state thereof or the District of Columbia, (iii) an estate the income of which is includible in gross income for United States federal income tax purposes regardless of its source, or (iv) a trust (A) the administration of which is subject to the primary supervision of a United States court and which has one or more United States persons who have the authority to control all substantial decisions of the trust or (B) that has otherwise elected to be treated as a United States person under the Code.

If a partnership (or other entity treated as a partnership for United States federal income tax purposes) is a beneficial owner of our ADSs or common shares, the tax treatment of a partner in the partnership will generally depend upon the status of the partner and the activities of the partnership. Partnerships holding our ADSs or common shares and partners in such partnerships are urged to consult their tax advisors regarding the ownership and disposition of our ADSs or common shares.

It is generally expected that a holder of ADSs should be treated, for United States federal income tax purposes, as the beneficial owner of the underlying shares represented by the ADSs. The remainder of this discussion assumes that a holder of ADSs will be treated in this manner. Accordingly, deposits or withdrawals of common shares for ADSs will generally not be subject to United States federal income tax.

Passive Foreign Investment Company Considerations

Based on the market price of our ADSs and the composition of assets (in particular, the retention of a large amount of cash), we believe that we were a “PFIC” for United States federal income tax purposes for the taxable year ended December 31, 2021, and we will very likely be classified as a PFIC for our current taxable year ending December 31, 2022 unless the market price of our ADSs increases and/or we invest a substantial amount of the cash and other passive assets we hold in assets that produce or are held for the production of non-passive income. A non-United States corporation, such as our company, will be classified as PFIC, for United States federal income tax purposes, if, in the case of any particular taxable year, either (i) 75% or more of its gross income for such year consists of certain types of “passive” income or (ii) 50% or more of the value of its assets (generally determined on the basis of a quarterly average) during such year is attributable to assets that produce or are held for the production of passive income. For this purpose, cash is categorized as a passive asset and the company’s unbooked intangibles associated with active business activities may generally be classified as non-passive assets. Passive income generally includes, among other things, dividends, interest, rents, royalties, and gains from the disposition of passive assets. We will be treated as owning a proportionate share of the assets 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.

If we are classified as a PFIC for any year during which a U.S. Holder holds our ADSs or common shares, we generally will continue to be treated as a PFIC for all succeeding years during which such U.S. Holder holds our ADSs or common shares even if we cease to meet the threshold requirements for PFIC status, unless a U.S. Holder makes a taxable “deemed sale” election that may allow the U.S. Holder to eliminate the continuing PFIC status under certain circumstances.

The United States federal income tax rules that apply if we are classified as a PFIC for our current or future taxable years are generally discussed below under “Passive Foreign Investment Company Rules.”

Dividends

Subject to the discussion below under “Passive Foreign Investment Company Rules,” any cash distributions (including the amount of any PRC tax withheld) paid on our ADSs or common shares out of our current or accumulated earnings and profits, as determined under United States federal income tax principles, will generally be includible in the gross income of a U.S. Holder as dividend income on the day actually or constructively received by the U.S. Holder, in the case of common shares, or by the depository, in the case of ADSs. Because we do not intend to determine our earnings and profits on the basis of United States federal income tax principles, any distribution paid will generally be treated as a “dividend” for United States federal income tax purposes. A non-corporate recipient of dividend income will generally be subject to tax on dividend income from a “qualified foreign corporation” at a lower applicable capital gains rate rather than the marginal tax rates generally applicable to ordinary income provided that certain holding period requirements are met. A non-United States corporation (other than a corporation that is classified as a PFIC for the taxable year in which the dividend is paid or the preceding taxable year) generally will be considered to be a qualified foreign corporation (i) if it is eligible for the benefits of a comprehensive tax treaty with the United States which the Secretary of Treasury of the United States determines is satisfactory for purposes of this provision and which includes an exchange of information program, or (ii) with respect to any dividend it pays on stock (or ADSs in respect of such stock) which is readily tradable on an established securities market in the United States. Our ADSs are currently listed on the NASDAQ Global Select Market. We believe that the ADSs will be readily tradable on an established securities market in the United States for so long as our ADSs continue to be listed on the NASDAQ Global Select Market. Since we do not expect that our common shares will be listed on established securities markets, it is unclear whether dividends that we pay on our common shares that are not backed by ADSs currently meet the conditions required for the reduced tax rate. There can be no assurance that our ADSs will continue to be considered readily tradable on an established securities market in later years. Furthermore, as mentioned above, we believe that we were a PFIC for the taxable year ended December 31, 2021, and we will very likely be classified as a PFIC for our current taxable year ending December 31, 2022. Each non-corporate U.S. Holder is advised to consult its tax advisors regarding the availability of the lower capital gains rate applicable to qualified dividend income for any dividends we pay with respect to the common shares and ADSs. Dividends received on our ADSs or common shares will not be eligible for the dividends received deduction allowed to corporations.

Dividends will generally be treated as passive income from foreign sources for United States foreign tax credit purposes. A U.S. Holder may be eligible, subject to a number of complex limitations, to claim a foreign tax credit in respect of any foreign withholding taxes imposed on dividends received on our ADSs or common shares. The rules governing the foreign tax credit are complex. U.S. Holders are urged to consult their tax advisors regarding the availability of the foreign tax credit under their particular circumstances. A U.S. Holder who does not elect to claim a foreign tax credit for foreign tax withheld, may instead claim a deduction, for United States federal income tax purposes, in respect of such withholding, but only for a year in which such holder elects to do so for all creditable foreign income taxes.

Sale or Other Disposition of ADSs or Common Shares

Subject to the discussion below under “Passive Foreign Investment Company Rules,” a U.S. Holder will generally recognize capital gain or loss upon the sale or other disposition of ADSs or common shares in an amount equal to the difference between the amount realized upon the disposition and the holder’s adjusted tax basis in such ADSs or common shares. Any capital gain or loss will be long-term if the ADSs or common shares have been held for more than one year and will generally be United States source gain or loss for United States foreign tax credit purposes, which will generally limit the availability of foreign tax credits. Long-term capital gain of non-corporate U.S. Holders is generally eligible for a reduced rate of taxation. The deductibility of a capital loss is subject to limitations.

As described in “Item 10. Additional Information—E. Taxation—People’s Republic of China Taxation,” if we are deemed to be a PRC resident enterprise under the EIT Law, gains from the disposition of the ADSs or ordinary shares may be subject to PRC income tax and will generally be U.S.-source, which may limit the ability to receive a foreign tax credit. If a U.S. Holder is eligible for the benefits of the U.S.-PRC income tax treaty (the “Treaty”), such holder may be able to elect to treat such gain as PRC-source income under the Treaty. Pursuant to recently issued U.S. Treasury Regulations, however, if a U.S. Holder is not eligible for the benefits of the Treaty or does not elect to apply the Treaty, then such holder may not be able to claim a foreign tax credit arising from any PRC tax imposed on the disposition of the ADSs or ordinary shares. The rules regarding foreign tax credits and deduction of foreign taxes are complex. U.S. Holders should consult their tax advisors regarding the availability of a foreign tax credit or deduction in light of their particular circumstances, including their eligibility for benefits under the Treaty, and the potential impact of the recently issued U.S. Treasury Regulations.

Passive Foreign Investment Company Rules

As mentioned above, we believe that we were a PFIC for the taxable year ended December 31, 2021, and we will very likely be classified as a PFIC for our current taxable year ending December 31, 2022. If we are classified as a PFIC for any taxable year during which a U.S. Holder holds our ADSs or common shares, and unless the U.S. Holder makes a mark-to-market election (as described below), the U.S. Holder will generally be subject to special United States federal income tax rules that have a penalizing effect, regardless of whether we remain a PFIC, on (i) any excess distribution that we make to the U.S. Holder (which generally means any distribution paid during a taxable year to a U.S. Holder that is greater than 125 percent of the average annual distributions paid in the three preceding taxable years or, if shorter, the U.S. Holder’s holding period for the ADSs or common shares), and (ii) any gain realized on the sale or other disposition, including, under certain circumstance, a pledge, of ADSs or common shares. Under the PFIC rules:

- the excess distribution and/or gain will be allocated ratably over the U.S. Holder’s holding period for the ADSs or common shares;
- the amount allocated to the current taxable year and any taxable years in the U.S. Holder’s holding period prior to the first taxable year in which we are classified as a PFIC, or a pre-PFIC year, will be taxable as ordinary income;
- the amount allocated to each prior taxable year, other than a pre-PFIC year, will be subject to tax at the highest tax rate in effect applicable to the U.S. Holder for that year; and
- an interest charge generally applicable to underpayments of tax will be imposed on the tax attributable to each prior taxable year, other than a pre-PFIC year.

If we are a PFIC for any taxable year during which a U.S. Holder holds our ADSs or common shares and any of our non-United States subsidiaries or variable interest entity is also a PFIC, such U.S. Holder would be treated as owning a proportionate amount (by value) of the shares of the lower-tier PFIC for purposes of the application of these rules. U.S. Holders are advised to consult their tax advisors regarding the application of the PFIC rules to any of our subsidiaries or variable interest entities.

As an alternative to the foregoing rules, a U.S. Holder of “marketable stock” in a PFIC may make a mark-to-market election with respect to our ADSs, provided that the ADSs are regularly traded on a national securities exchange that is registered with the SEC, or on a foreign exchange or market that the IRS determines is a qualified exchange that has rules sufficient to ensure that the market price represents a legitimate and sound fair market value. Our ADSs are listed on the NASDAQ Global Select Market, which is an established securities market in the United States. Our ADSs may be regularly traded, but no assurances may be given in this regard. If a mark-to-market election is made, the U.S. Holder will generally (i) include as ordinary income for each taxable year that we are a PFIC the excess, if any, of the fair market value of ADSs held at the end of the taxable year over the adjusted tax basis of such ADSs and (ii) deduct as an ordinary loss the excess, if any, of the adjusted tax basis of the ADSs over the fair market value of such ADSs held at the end of the taxable year, but only to the extent of the net amount previously included in income as a result of the mark-to-market election. The U.S. Holder’s adjusted tax basis in the ADSs would be adjusted to reflect any income or loss resulting from the mark-to-market election. If a U.S. Holder makes a mark-to-market election in respect of a corporation classified as a PFIC and such corporation ceases to be classified as a PFIC, the holder will not be required to take into account the gain or loss described above during any period that such corporation is not classified as a PFIC. If a U.S. Holder makes an effective mark-to-market election, in each year that we are a PFIC, any gain recognized upon the sale or other disposition of the ADSs will be treated as ordinary income and any loss will be treated as ordinary loss, but only to the extent of the net amount previously included in income as a result of the mark-to-market election. If a U.S. Holder makes a mark-to-market election it will be effective for the taxable year for which the election is made and all subsequent taxable years unless the ADSs are no longer treated as marketable stock or the IRS consents to the revocation of the election. It is intended that only the ADSs and not the ordinary shares will be listed on the NASDAQ Global Select Market. Consequently, if a U.S. Holder holds ordinary shares that are not represented by ADSs, such holder will generally not be eligible to make a mark-to-market election if we are or were to become a PFIC.

Because a mark-to-market election cannot technically be made for any lower-tier PFICs that we may own, a U.S. Holder that makes a mark-to-market election with respect to our ADSs may continue to be subject to the general PFIC rules with respect to such U.S. Holder’s indirect interest in any investments held by us that are treated as an equity interest in a PFIC for United States federal income tax purposes.

We do not intend to provide information necessary for U.S. Holders to make qualified electing fund elections, which, if available, would result in tax treatment different from (and generally less adverse than) the general tax treatment for PFICs described above.

If a U.S. Holder owns our ADSs or common shares during any taxable year that we are a PFIC, the holder generally will be required to file annual reports with the IRS. U.S. Holders are advised to consult their tax advisors concerning the United States federal income tax consequences of purchasing, holding and disposing ADSs or common shares if we are or become classified as a PFIC, including the possibility of making a mark-to-market election.

Information Reporting

U.S. Holders may be subject to information reporting to the IRS with respect to dividends on and proceeds from the sale or other disposition of our ADSs or common shares. Each U.S. Holder is advised to consult its tax advisors regarding the application of the United States information reporting rules to its particular circumstances.

Certain U.S. Holders who hold “specified foreign financial assets”, including stock of a non-U.S. corporation that is not held in an account maintained by a U.S. “financial institution,” whose aggregate value exceeds US\$50,000 during the tax year, may be required to attach to their tax returns for the year certain specified information. An individual who fails to timely furnish the required information may be subject to a penalty. U.S. Holders who are individuals should consult their own tax advisors regarding their reporting obligations under this legislation.

F. Dividends and Paying Agents

Not applicable.

G. Statement by Experts

Not applicable.

H. Documents on Display

We are subject to the periodic reporting and other informational requirements of the Exchange Act. Under the Exchange Act, we are required to file reports and other information with the SEC. Specifically, we are required to file annually a Form 20-F within four months after the end of each fiscal year, which is December 31. Copies of reports and other information, when so filed, may be inspected without charge and may be obtained at prescribed rates at the public reference facilities maintained by the SEC at 100 F Street, N.E., Room 1580, Washington, D.C. 20549. The public may obtain information regarding the Washington, D.C. Public Reference Room by calling the Commission at 1-800-SEC-0330. The SEC also maintains a website at www.sec.gov that contains reports, proxy and information statements, and other information regarding registrants that make electronic filings with the SEC using its EDGAR system. As a foreign private issuer, we are exempt from the rules under the Exchange Act prescribing the furnishing and content of quarterly reports and proxy statements, and officers, directors and principal shareholders are exempt from the reporting and short-swing profit recovery provisions contained in Section 16 of the Exchange Act.

We will furnish The Bank of New York Mellon, the depository of our ADSs, with our annual reports, which will include a review of operations and annual audited consolidated financial statements prepared in conformity with U.S. GAAP, and all notices of shareholders' meetings and other reports and communications that are made generally available to our shareholders. The depository will make such notices, reports and communications available to holders of ADSs and, upon our request, will mail to all record holders of ADSs the information contained in any notice of a shareholders' meeting received by the depository from us.

In accordance with NASDAQ Stock Market Rule 5250(d), we will post this annual report on Form 20-F on our website at <http://ir.xunlei.com>. In addition, we will provide hardcopies of our annual report free of charge to shareholders and ADS holders upon request.

I. Subsidiary Information

Not applicable.

Item 11. Quantitative and Qualitative Disclosures about Market Risk

Foreign exchange risk

Our financing activities were denominated mainly in U.S. dollars while interest bearing loan we borrowed for the construction of our headquarters building is denominated in Renminbi, or RMB. RMB is not freely convertible into foreign currencies. Remittances of foreign currencies into the PRC and conversion of foreign currencies into RMB require approval by foreign exchange administrative authorities and certain supporting documentation. The State Administration for Foreign Exchange, under the authority of the People's Bank of China, controls the conversion of RMB into other currencies. The revenues and expenses of our subsidiaries, and the consolidated variable interest entity and its subsidiaries are generally denominated in RMB and their assets and liabilities are denominated in RMB. We do not believe that we currently have any significant direct foreign exchange risk and have not used any derivative financial instruments to hedge our exposure to such risk. Although in general, our exposure to foreign exchange risks should be limited, the value of your investment in our ADSs will be affected by the exchange rate between the U.S. dollar and the RMB because the value of our business is effectively denominated in RMB, while the ADSs will be traded in U.S. dollars.

The conversion of RMB into foreign currencies, including U.S. dollars, is based on rates set by the People's Bank of China. Since June 2010, the RMB has fluctuated against the U.S. dollar, at times significantly and unpredictably. It is difficult to predict how market forces or PRC or U.S. government policy may impact the exchange rate between the RMB and the U.S. dollar in the future.

To the extent that we need to convert U.S. dollars into RMB for our operations, appreciation of the RMB against the U.S. dollar would have an adverse effect on the RMB amount we receive from the conversion. Conversely, if we decide to convert RMB into U.S. dollars for the purpose of making payments for dividends on our common shares or ADSs or for other business purposes, appreciation of the U.S. dollar against the RMB would have a negative effect on the U.S. dollar amounts available to us.

As of December 31, 2021, we had RMB-denominated cash and cash equivalents, and short-term investments of RMB96.2 million, HKD-denominated cash and cash equivalents, restricted cash and short-term investments of HKD1.4 million, THB-denominated cash and cash equivalents, restricted cash and short-term investments of THB1.7 million and U.S. dollar-denominated cash, cash equivalents and short-term investments of US\$129.0 million. We also had RMB-denominated restricted cash of RMB26.0 million. Assuming we had converted RMB696.2 million into U.S. dollars at the exchange rate of RMB6.3757 for US\$1.00 on December 31, 2021 released by the State Administration of Foreign Exchange of the PRC, our U.S. dollar cash balance would have had a US\$109.2 million increase. If the RMB had depreciated by 10% against the U.S. dollar, our U.S. dollar cash balance would have had a US\$99.3 million increase instead. Assuming we had converted US\$129.0 million into RMB at the exchange rate of RMB6.3757 for US\$1.00 on December 31, 2021 released by the State Administration of Foreign Exchange of the PRC, our RMB cash balance would have had a RMB0.8 billion increase. If the RMB had depreciated by 10% against the U.S. dollar, our RMB cash balance would have had a RMB0.9 billion increase instead.

Interest rate risk

Our exposure to interest rate risk primarily relates to the interest income generated by excess cash, which is mostly held in interest-bearing bank deposits. Further, our interest-bearing bank loan for the Xunlei headquarters building is in Renminbi with a flexible interest rate. We have not used derivative financial instruments in our investment portfolio. Interest earning instruments carry a degree of interest rate risk. We have not been exposed to, nor do we anticipate being exposed to, material risks due to changes in market interest rates. However, our future interest income may fall short of expectations due to changes in market interest rates.

Item 12. Description of Securities Other than Equity Securities

A. Debt Securities

Not applicable.

B. Warrants and Rights

Not applicable.

C. Other Securities

Not applicable.

D. American Depositary Shares

Fees and Charges Our ADS holders May Have to Pay

The Bank of New York Mellon, the depositary of our ADS program, collects its fees for delivery and surrender of ADSs directly from investors depositing shares or surrendering ADSs for the purpose of withdrawal or from intermediaries acting for them. The depositary collects fees for making distributions to investors by deducting those fees from the amounts distributed or by selling a portion of distributable property to pay the fees. The depositary may collect its annual fee for depositary services by deduction from cash distributions or by directly billing investors or by charging the book-entry system accounts of participants acting for them. The depositary may collect any of its fees by deduction from any cash distribution payable to ADS holders that are obligated to pay those fees. The depositary may generally refuse to provide fee-attracting services until its fees for those services are paid. The depositary's corporate trust office at which the ADSs will be administered is located at 101 Barclay Street, New York, New York 10286. The depositary's principal executive office is located at One Wall Street, New York, New York 10286.

Persons depositing or withdrawing shares must pay:	For:
\$5.00 (or less) per 100 ADSs (or portion of 100 ADSs)	· Issuance of ADSs, including issuances resulting from a distribution of shares or rights or other property · Cancellation of ADSs for the purpose of withdrawal, including if the deposit agreement terminates
\$0.05 (or less) per ADS	· Any cash distribution to ADS holders
A fee equivalent to the fee that would be payable if securities distributed to you had been shares and the shares had been deposited for issuance of ADSs	· Distribution of securities distributed to holders of deposited securities which are distributed by the depositary to ADS holders
\$0.05 (or less) per ADSs per calendar year	· Depositary services
Registration or transfer fees	· Transfer and registration of shares on our share register to or from the name of the depositary or its agent when you deposit or withdraw shares
Expenses of the depositary	· Cable, telex and facsimile transmissions (when expressly provided in the deposit agreement) · converting foreign currency to U.S. dollars
Taxes and other governmental charges the depositary or the custodian has to pay on any ADSs or shares underlying ADSs, such as stock transfer taxes, stamp duty or withholding taxes	· As necessary
Any charges incurred by the depositary or its agents for servicing the deposited securities	· As necessary

Fees and Other Payments Made by the Depositary to Us

The depositary has agreed to reimburse us for our expenses incurred in connection with the establishment of our ADS facility including, investor relations expenses, roadshow expenses, legal fees, stock exchange listing fees or any direct or indirect expenses incurred in connection with the establishment of the facility. The depositary has also agreed to provide additional reimbursements to us based on the applicable performance indicators relating to our ADS facility, including ADS issuance and cancellation fees, cash dividend fees and depositary servicing fees. In addition, the depositary has agreed to waive the issuance fees for ADSs issued (i) in connection with our follow-on equity offerings, (ii) to our founders and senior management, and (iii) in connection with our employee incentive plans. In 2021, we received approximately US\$0.2 million (after withholding tax) from the depositary.

PART II

Item 13. Defaults, Dividend Arrearages and Delinquencies

None.

Item 14. Material Modifications to the Rights of Security Holders and Use of Proceeds

None.

Item 15. Controls and Procedures

Evaluation of Disclosure Controls and Procedures

Our management, with the participation of our chief executive officer and chief financial officer, has performed an evaluation of the effectiveness of our disclosure controls and procedures (as defined in Rule 13a-15(e) under the Exchange Act) as of the end of the period covered by this report, as required by Rule 13a-15(b) under the Exchange Act.

Based upon that evaluation, our management, with the participation of our chief executive officer and chief financial officer, has concluded that as of December 31, 2021, our disclosure controls and procedures were effective in ensuring that the information required to be disclosed by us in the reports that we file and furnish 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, as appropriate, 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 such term is defined in Rule 13a-15(f) under the Exchange Act, for our company. Internal control over financial reporting is a process designed to provide reasonable assurance regarding the reliability of financial reporting and the preparation of consolidated financial statements in accordance with generally accepted accounting principles, including those policies and procedures that (i) pertain to the maintenance of records that, in reasonable detail, accurately and fairly reflect the transactions and dispositions of a company's assets, (ii) provide reasonable assurance that transactions are recorded as necessary to permit preparation of consolidated financial statements in accordance with generally accepted accounting principles, and that a company's receipts and expenditures are being made only in accordance with authorizations of a company's management and directors, and (iii) provide reasonable assurance regarding prevention or timely detection of unauthorized acquisition, use, or disposition of a company's assets that could have a material effect on the consolidated financial statements.

Because of its inherent limitations, a system of internal control over financial reporting can provide only reasonable assurance with respect to consolidated financial statement preparation and presentation and may not prevent or detect misstatements. Also, projections of any evaluation of effectiveness to future periods are subject to the risk that controls may become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate.

As required by Section 404 of the Sarbanes-Oxley Act of 2002 and related rules promulgated by the Securities and Exchange Commission, our management, including our chief executive officer and chief financial officer, assessed the effectiveness of internal control over financial reporting as of December 31, 2021 using the criteria set forth in the report "Internal Control — Integrated Framework (2013)" published by the Committee of Sponsoring Organizations of the Treadway Commission (known as COSO). Based on this evaluation, our management concluded that our internal control over financial reporting was effective as of December 31, 2021.

Our independent registered public accounting firm, PricewaterhouseCoopers Zhong Tian LLP, has audited the effectiveness of our company's internal control over financial reporting as of December 31, 2021, as stated in its report, which appears on page F-1 of this annual report on Form 20-F.

Attestation Report of the Registered Public Accounting Firm

Our independent registered public accounting firm, PricewaterhouseCoopers Zhong Tian LLP, has audited the effectiveness of our internal control over financial reporting as of December 31, 2021 as stated in its report, which appears on page F-2 of this annual report on Form 20-F.

Changes in Internal Control over Financial Reporting

There were no changes in our internal controls over financial reporting occurred during the period covered by this annual report that have materially affected, or are reasonably likely to materially affect, our internal controls over financial reporting.

Item 16A. Audit Committee Financial Expert

Our board of directors has determined that each of Ms. Jenny Wenjie Wu and Mr. Ya Li, our independent directors (under the standards set forth in Rule 5605(a)(2) of the NASDAQ Listing Rules and Rule 10A-3 under the Securities Exchange Act of 1934) and chairman of our audit committee, is an audit committee financial expert.

Item 16B. Code of Ethics

Our board of directors has adopted a code of business conduct and ethics that applies to our directors, officers and employees, including certain provisions that specifically apply to our chief executive officer, chief financial officer, other executive officers as defined under Rule 405 under the Securities Act of 1933, as amended, senior finance officer, controller, senior vice presidents and any other persons who perform similar functions for us. We have filed our code of business conduct and ethics as Exhibit 99.1 to our registration statement on Form F-1 (File Number 333-196221), as amended, initially filed with the SEC on May 23, 2014. The code is also available on our official website under the corporate governance section at our investor relations website <http://ir.xunlei.com>. We hereby undertake to provide to any person without charge, a copy of our code of business conduct and ethics within ten working days after we receive such person's written request.

Our chairman and chief executive officer, Mr. Jinbo Li, currently also serves as the chairman and chief executive officer of Itui International Inc., our shareholder holding approximately 40.0% of our outstanding share capital as of March 31, 2022. Mr. Jinbo Li is the founder and a shareholder of Itui International Inc. Section III of our code of business conduct and ethics provides that no employee shall serve on a board of directors or trustees or on a committee of any entity (whether profit or not-for-profit) whose interests could reasonably be expected to conflict with those of the Company. Employees must obtain prior approval from the board of directors before accepting any such board or committee position. The Company may revisit its approval of any such position at any time to determine whether an employee's service in such position is still appropriate. Section III also provides that no employee may have any financial interest (ownership or otherwise) in any other business or entity if such interest requires the employee to devote time to it during such employee's working hours at the Company. On April 11, 2020, our board of directors granted Mr. Jinbo Li a waiver from compliance with the above provisions of our code of business conduct and ethics so that Mr. Jinbo Li is able to simultaneously serve as the chairman and the chief executive officer at both our company and Itui International Inc.

Item 16C. Principal Accountant Fees and Services

The following table sets forth the aggregate fees by categories specified below in connection with certain professional services rendered by PricewaterhouseCoopers Zhong Tian LLP, our principal external auditors, for the periods indicated.

	2019	2020 (in US\$)	2021
Audit fees ⁽¹⁾	905,356	1,019,720	1,019,496
Audit-related fees ⁽²⁾	—	—	—
All other fees ⁽³⁾	—	—	—

- (1) “Audit fees” represents the aggregate fees billed for each of the fiscal years listed for professional services rendered by our principal accountant for the audit of our annual financial statements or services that are normally provided by the accountant in connection with statutory and regulatory filings or engagements for each of the fiscal years listed.
- (2) “Audit-related fees” represents the aggregate fees billed for each of the fiscal years listed for assurance and related services by our principal accountant that are reasonably related to the performance of the audit or review of our financial statements and are not reported under “audit fees” above.
- (3) “All other fees” represents the aggregate fees billed in each of the fiscal years listed for products and services provided by our principal accountant, other than the services reported in “audit fees” and “audit-related fees” above.

The policy of our audit committee is to pre-approve all audit and non-audit services provided by our independent auditor, including audit services, audit-related services and other services as described above, other than those for de minimis services which are approved by the audit committee prior to the completion of the audit. Our independent auditor only provides us with audit services. Our audit committee has approved all of our audit fees for the year ended December 31, 2021.

Item 16D. Exemptions from the Listing Standards for Audit Committees

Not applicable.

Item 16E. Purchases of Equity Securities by the Issuer and Affiliated Purchasers

Not applicable.

Item 16F. Change in Registrant’s Certifying Accountant

Not applicable.

Item 16G. Corporate Governance

As a Cayman Islands company listed on the NASDAQ Global Select Market, we are subject to the corporate governance standards under the NASDAQ Stock Market Rules. Under Nasdaq Stock Market Rule 5615(a)(3), a foreign private issuer such as us may follow its home-country corporate governance practices in lieu of certain of the Nasdaq Stock Market Rules corporate governance requirements. We strive to comply with most of the Nasdaq corporate governance practices to ensure a high standard of corporate governance. However, our current corporate governance practices differ from Nasdaq corporate governance requirements for U.S. companies in certain respects, as summarized below:

Nasdaq Marketplace Rule 5620(a) requires each issuer to hold an annual meeting of shareholders no later than one year after the end of the issuer’s fiscal year-end. The practices of our home country, the Cayman Islands, do not require

us to hold annual shareholders meetings every year. We have elected to adopt this practice and did not hold an annual meeting of shareholders for fiscal year 2019. We may, however, hold annual shareholders meeting in the future.

Nasdaq Stock Market Rule 5605(b)(1) requires a Nasdaq-listed company to have a board of directors composed of at least a majority of independent directors. The practices of our home country, the Cayman Islands, do not require us to have a majority of the board of directors composed of independent directors at this time. We have elected to adopt this practice and do not have a board of directors composed of at least a majority of independent directors.

Nasdaq Stock Market Rule 5605(c)(2) requires a Nasdaq-listed company to have an audit committee composed of at least three independent members. The practices of our home country, the Cayman Islands, do not require us to have a three-member audit committee at this time. We have elected to adopt this practice and have an audit committee composed of two independent members.

Nasdaq Stock Market Rule 5605(e)(1) requires a Nasdaq-listed company to have a nominations committee composed solely of independent directors to select or recommend for selection director nominees. The practices of our home country, the Cayman Islands, do not require that any of the members of a company's nominations committee be independent directors. We have elected to adopt this practice in order to utilize the experience of Mr. Yubo Zhang and our corporate governance and nominating committee is not composed solely of independent directors.

Nasdaq Stock Market Rule 5605(d)(2) requires a Nasdaq-listed company to have a compensation committee composed solely of independent directors. The practices of our home country, the Cayman Islands, do not require that any of the members of a company's compensation committee be independent directors. We have elected to adopt this practice in order to utilize the experience of Mr. Jinbo Li and our compensation committee is not composed solely of independent directors.

Maples and Calder (Hong Kong) LLP, our Cayman Islands counsel, has provided a letter to the NASDAQ Stock Market certifying that under Cayman Islands law, we are not required to follow the above corporate governance standards.

Other than the above, there are no significant differences between our corporate governance practices and those followed by U.S. domestic companies under NASDAQ Stock Market Rules.

Item 16H. Mine Safety Disclosure

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 Xunlei Limited, its subsidiaries and its variable interest entity and its subsidiaries are included at the end of this annual report.

Item 19. Exhibits

Exhibit Number	Description of Documents
1.1	Eighth amended and restated memorandum and seventh amended and restated articles of association of the Registrant (incorporated by reference to Exhibit 3.2 of our registration statement on Form F-1, as amended (file no. 333-196221), filed with the SEC on June 12, 2014)
2.1	Registrant's specimen American depositary receipt (included in Exhibit 2.3)
2.2	Registrant's specimen certificate for common shares (incorporated by reference to Exhibit 4.2 of our registration statement on Form F-1, as amended (file no. 333-196221), filed with the SEC on June 12, 2014)
2.3	Deposit agreement among the Registrant, the depository and holders of American depositary receipts, dated June 23, 2014 (incorporated by reference to Exhibit 2.3 of our annual report on Form 20-F (file no. 001-35224), filed with the SEC on April 26, 2021)
2.4*	Description of securities
4.1	Seventh amended and restated shareholders agreement among the Registrant and its subsidiaries, Shenzhen Xunlei Networking Technologies Co., Ltd. and its subsidiaries, shareholders of the Registrant and other parties thereto, dated April 24, 2014 (incorporated by reference to Exhibit 4.4 of our registration statement on Form F-1 (file no. 333-196221) filed with the SEC on June 12, 2014)
4.2	Series E preferred share purchase agreement, among the Registrant, Xiaomi Ventures Limited and other parties therein, dated as of February 13, 2014 (incorporated by reference to Exhibit 4.6 of our registration statement on Form F-1 (file no. 333-196221) filed with the SEC on May 23, 2014)
4.3	Warrant issued by the Registrant to Xiaomi Ventures Limited dated as of March 5, 2014 (incorporated by reference to Exhibit 4.7 of our registration statement on Form F-1 (file no. 333-196221) filed with the SEC on May 23, 2014)
4.4	Warrant issued by the Registrant to Skyline Global Company Holdings Limited, dated as of March 5, 2014 (incorporated by reference to Exhibit 4.8 of our registration statement on Form F-1 (file no. 333-196221) filed with the SEC on May 23, 2014)
4.5	Supplemental agreement to Series E preferred share purchase agreement, among the Registrant, Xiaomi Ventures Limited and other parties therein, dated as of March 20, 2014 (incorporated by reference to Exhibit 4.9 of our registration statement on Form F-1 (file no. 333-196221) filed with the SEC on May 23, 2014)
4.6	Series E preferred share purchase agreement, among the Registrant, King Venture Holdings Limited, Morningside China TMT Special Opportunity Fund, L.P., Morningside China TMT Fund III Co-Investment, L.P. and IDG Technology Venture Investment V, L.P., dated as of April 3, 2014 (incorporated by reference to Exhibit 4.10 of our registration statement on Form F-1 (file no. 333-196221) filed with the SEC on May 23, 2014)
4.7	2010 share incentive plan (incorporated by reference to Exhibit 10.1 of our registration statement on Form F-1 (file no. 333-196221) filed with the SEC on May 23, 2014)
4.8	2013 share incentive plan (incorporated by reference to Exhibit 10.2 of our registration statement on Form F-1 (file no. 333-196221) filed with the SEC on May 23, 2014)
4.9	2014 share incentive plan (incorporated by reference to Exhibit 10.4 of our registration statement on Form F-1 (file no. 333-196221) filed with the SEC on May 23, 2014)
4.10	2020 share incentive plan (incorporated by reference to Exhibit 99.1 of Form 6-K (file no. 001-35224) furnished to the SEC on July 2, 2020)
4.11	Letter agreement signed by Leading Advice Holdings Limited in relation to 2013 share incentive plan of the Registrant, dated March 20, 2014 (incorporated by reference to Exhibit 10.3 of our registration statement on Form F-1 (file no. 333-196221) filed with the SEC on May 23, 2014)
4.12	Letter agreement signed by Leading Advice Holdings Limited in relation to 2014 share incentive plan of the Registrant, dated May 5, 2014 (incorporated by reference to Exhibit 10.5 of our registration statement on Form F-1 (file no. 333-196221) filed with the SEC on May 23, 2014)
4.13	Letter agreement signed by Leading Advice Holdings Limited in relation to 2013 share incentive plan and 2014 share incentive plan of the Registrant, dated May 19, 2014 (incorporated by reference to Exhibit 10.6 of our registration statement on Form F-1 (file no. 333-196221) filed with the SEC on May 23, 2014)

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- 4.14 [Form of indemnification agreement with the Registrant's directors and officers \(incorporated by reference to Exhibit 10.7 of our registration statement on Form F-1 \(file no. 333-196221\) filed with the SEC on June 12, 2014\)](#)
- 4.15 [Form of employment agreement between the Registrant and Executive Officers of the Registrant \(incorporated by reference to Exhibit 10.8 of our registration statement on Form F-1 \(file no. 333-196221\) filed with the SEC on June 12, 2014\)](#)
- 4.16 [English translation of business operation agreement among Giganology Shenzhen, Shenzhen Xunlei and the shareholders of Shenzhen Xunlei, dated November 15, 2006, as amended on March 1, 2012 and further amended on September 29, 2016 \(incorporated by reference to Exhibit 4.15 of our annual report on Form 20-F \(file no. 001-35224\) filed with the SEC on April 20, 2017\)](#)
- 4.17 [English translation of equity pledge agreement among Giganology Shenzhen and the shareholders of Shenzhen Xunlei dated November 15, 2006, as amended on May 10, 2011, March 1, 2012 and March 10, 2014 \(incorporated by reference to Exhibit 10.10 of our registration statement on Form F-1 \(file no. 333-196221\) filed with the SEC on May 23, 2014\)](#)
- 4.18 [English translation of power of attorney between Giganology Shenzhen and Shenglong Zou, dated May 10, 2011 \(incorporated by reference to Exhibit 10.11 of our registration statement on Form F-1 \(file no. 333-196221\) filed with the SEC on May 23, 2014\)](#)
- 4.19 [English translation of power of attorney between Giganology Shenzhen and Hao Cheng, dated May 10, 2011 \(incorporated by reference to Exhibit 10.12 of our registration statement on Form F-1 \(file no. 333-196221\) filed with the SEC on May 23, 2014\)](#)
- 4.20 [English translation of power of attorney between Giganology Shenzhen and Fang Wang, dated May 10, 2011 \(incorporated by reference to Exhibit 10.13 of our registration statement on Form F-1 \(file no. 333-196221\) filed with the SEC on May 23, 2014\)](#)
- 4.21 [English translation of power of attorney between Giganology Shenzhen and Jianming Shi, dated May 10, 2011 \(incorporated by reference to Exhibit 10.14 of our registration statement on Form F-1 \(file no. 333-196221\) filed with the SEC on May 23, 2014\)](#)
- 4.22 [English translation of power of attorney between Giganology Shenzhen and Guangzhou Shulian Information Investment Co., Ltd., dated May 10, 2011 \(incorporated by reference to Exhibit 10.15 of our registration statement on Form F-1 \(file no. 333-196221\) filed with the SEC on May 23, 2014\)](#)
- 4.23 [English translation of exclusive technical support and services agreement between Giganology Shenzhen and Shenzhen Xunlei, dated September 16, 2005, as amended on November 15, 2006 and March 10, 2014 \(incorporated by reference to Exhibit 10.16 of our registration statement on Form F-1 \(file no. 333-196221\) filed with the SEC on May 23, 2014\)](#)
- 4.24 [English translation of exclusive technology consulting and training agreement between Giganology Shenzhen and Shenzhen Xunlei, dated September 16, 2005, as amended on November 15, 2006 and March 10, 2014 \(incorporated by reference to Exhibit 10.17 of our registration statement on Form F-1 \(file no. 333-196221\) filed with the SEC on May 23, 2014\)](#)
- 4.25 [English translation of proprietary technology license contract between Giganology Shenzhen and Shenzhen Xunlei, dated March 1, 2012 \(incorporated by reference to Exhibit 10.18 of our registration statement on Form F-1 \(file no. 333-196221\) filed with the SEC on May 23, 2014\)](#)
- 4.26 [English translation of intellectual properties purchase option agreement between Giganology Shenzhen and Shenzhen Xunlei dated March 1, 2012, as amended on March 10, 2014 \(incorporated by reference to Exhibit 10.19 of our registration statement on Form F-1 \(file no. 333-196221\) filed with the SEC on May 23, 2014\)](#)
- 4.27 [English translation of loan agreement among Giganology Shenzhen, Guangzhou Shulian Information Investment Co., Ltd., Sean Shenglong Zou, Hao Cheng, Fang Wang and Jianming Shi, dated December 22, 2010, as amended on March 1, 2012 and March 10, 2014 \(incorporated by reference to Exhibit 10.20 of our registration statement on Form F-1 \(file no. 333-196221\) filed with the SEC on May 23, 2014\)](#)
- 4.28 [English translation of loan agreement between Giganology Shenzhen and Sean Shenglong Zou, dated May 10, 2011, as amended on March 1, 2012 \(incorporated by reference to Exhibit 10.21 of our registration statement on Form F-1 \(file no. 333-196221\) filed with the SEC on May 23, 2014\)](#)

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- 4.29 [English translation of equity interests disposal agreement between Giganology Shenzhen, Guangzhou Shulian Information Investment Co., Ltd., Sean Shenglong Zou, Hao Cheng, Fang Wang and Jianming Shi, dated November 15, 2006, as amended on May 10, 2011 and further amended on September 29, 2016 \(incorporated by reference to Exhibit 4.28 of our annual report on Form 20-F \(file no. 001-35224\) filed with the SEC on April 20, 2017\)](#)
- 4.30 [English translation of technology development and software license framework agreement between Shenzhen Xunlei and Xunlei Computer dated December 24, 2013 \(incorporated by reference to Exhibit 10.23 of our registration statement on Form F-1 \(file no. 333-196221\) filed with the SEC on May 23, 2014\)](#)
- 4.31 [Content protection agreement by and between Shenzhen Xunlei Networking Technologies Co., Ltd. and other parties thereto dated May 22, 2014 \(incorporated by reference to Exhibit 10.24 of our registration statement on Form F-1 \(file no. 333-196221\) filed with the SEC on June 12, 2014\)](#)
- 4.32 [English summary of Assets and Business Transfer Agreement by and between Shenzhen Xunlei Networking Technologies Co., Ltd., Beijing Kingsoft Cloud Network Technology Co., Ltd., Zhuhai Kingsoft Cloud Science and Technology Co., Ltd. and Beijing Kingsoft Cloud Science and Technology Co., Ltd. dated September 2, 2014 \(incorporated by reference to Exhibit 4.31 of our annual report on Form 20-F \(file no. 001-35224\) filed with the SEC on April 20, 2015\)](#)
- 4.33 [English translation of the Equity Transfer Agreement dated as of May 13, 2015 by and between Shenzhen Xunlei Networking Technologies Co., Ltd., Beijing Nesound International Media Corp., Ltd. and Shenzhen Xunlei Kankan Information Technologies Co., Ltd. \(incorporated by reference to Exhibit 4.32 of our annual report on Form 20-F \(file no. 001-35224\) filed with the SEC on April 21, 2016\)](#)
- 4.34 [English translation of the Business and Assets Transfer Agreement dated as of May 14, 2015 by and among Shenzhen Xunlei Networking Technologies Co., Ltd., Beijing Nesound International Media Corp., Ltd. and Shenzhen Xunlei Kankan Information Technologies Co., Ltd. \(incorporated by reference to Exhibit 4.33 of our annual report on Form 20-F \(file no. 001-35224\) filed with the SEC on April 21, 2016\)](#)
- 4.35 [English summary of General Contract for the Construction of Xunlei Building dated April 24, 2018 between Shenzhen Xunlei Networking Technologies Co., Ltd. and China Construction Second Engineering Bureau Ltd. \(incorporated by reference to Exhibit 4.34 of our annual report on Form 20-F \(file no. 001-35224\) filed with the SEC on April 29, 2019\)](#)
- 4.36 [English translation of the Financing Agreement dated January 2, 2019 between Shenzhen Xunlei Networking Technologies Co., Ltd. and Shanghai Pudong Development Bank Co., Ltd. Shenzhen Branch \(incorporated by reference to Exhibit 4.35 of our annual report on Form 20-F \(file no. 001-35224\) filed with the SEC on April 29, 2019\)](#)
- 4.37 [English translation of the Maximum Mortgage Contract dated January 2, 2019 between Shenzhen Xunlei Networking Technologies Co., Ltd. and Shanghai Pudong Development Bank Co., Ltd. Shenzhen Branch \(incorporated by reference to Exhibit 4.36 of our annual report on Form 20-F \(file no. 001-35224\) filed with the SEC on April 29, 2019\)](#)
- 4.38 [English translation of the Irrevocable Letter of Guarantee of Maximum Amount dated March 15, 2018 between Shenzhen Xunlei Networking Technologies Co., Ltd. and China Merchants Bank Shenzhen Branch \(incorporated by reference to Exhibit 4.37 of our annual report on Form 20-F \(file no. 001-35224\) filed with the SEC on April 29, 2019\)](#)
- 4.39 [English translation of the Credit Agreement dated March 15, 2018 between Shenzhen Xunlei Networking Technologies Co., Ltd. and China Merchants Bank Shenzhen Branch \(incorporated by reference to Exhibit 4.38 of our annual report on Form 20-F \(file no. 001-35224\) filed with the SEC on April 29, 2019\)](#)
- 4.40 [English translation of the Credit Agreement dated October 21, 2020 between Shenzhen Xunlei Networking Technologies Co., Ltd. and China Merchants Bank Shenzhen Branch \(incorporated by reference to Exhibit 4.40 of our annual report on Form 20-F \(file no. 001-35224\) filed with the SEC on April 26, 2021\)](#)
- 4.41* English translation of the Credit Agreement dated December 2, 2021 between Shenzhen Xunlei Networking Technologies Co., Ltd. and China Merchants Bank Shenzhen Branch
- 4.42* English translation of the Agreement on Financing Amount dated November 14, 2021 between Shenzhen Xunlei Networking Technologies Co., Ltd. and Shanghai Pudong Development Bank Co., Ltd., Shenzhen Branch

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4.43*	English translation of the Maximum Mortgage Contract dated November 14, 2021 between Shenzhen Xunlei Networking Technologies Co., Ltd. and Shanghai Pudong Development Bank Co., Ltd., Shenzhen Branch
4.44*	English translation of the Facility Agreement dated September 1, 2021 between Chizz (HK) Limited and Xunlei Network Technologies Limited
4.45*	English translation of the Supplementary Agreement to Proprietary Technology License Agreement dated March 1, 2022 between Giganology (Shenzhen) Ltd. and Shenzhen Xunlei Networking Technologies Co., Ltd.
4.46*	English translation of Power of Attorney between Giganology Shenzhen and Shenglong Zou, dated May 11, 2021
4.47*	English translation of Power of Attorney between Giganology Shenzhen and Hao Cheng, dated May 10, 2021
4.48*	English translation of Power of Attorney between Giganology Shenzhen and Fang Wang, dated May 10, 2021
4.49*	English translation of Power of Attorney between Giganology Shenzhen and Jianming Shi, dated May 10, 2021
4.50*	English translation of Power of Attorney between Giganology Shenzhen and Guangzhou Shulian Information Investment Co., Ltd., dated May 10, 2021
4.51*	English translation of technology development and software license framework agreement between Shenzhen Xunlei and Xunlei Computer dated January 1, 2020
8.1*	List of principal subsidiaries and variable interest entity of the Registrant
11.1	Code of business conduct and ethics of the Registrant (incorporated by reference to Exhibit 99.1 of our Registration Statement on Form F-1 (file no. 333-196221) filed with the Securities and Exchange Commission on June 12, 2014)
12.1*	Certification by Principal Executive Officer Pursuant to Section 302 of the Sarbanes-Oxley Act of 2002
12.2*	Certification by Principal Financial Officer Pursuant to Section 302 of the Sarbanes-Oxley Act of 2002
13.1**	Certification by Principal Executive Officer Pursuant to Section 906 of the Sarbanes-Oxley Act of 2002
13.2**	Certification by Principal Financial Officer Pursuant to Section 906 of the Sarbanes-Oxley Act of 2002
15.1*	Consent of Maples and Calder (Hong Kong) LLP
15.2*	Consent of TransAsia Lawyers
15.3*	Consent of PricewaterhouseCoopers Zhong Tian LLP, an independent registered public accounting firm
101.INS*	Inline XBRL Instance Document
101.SCH*	Inline XBRL Taxonomy Extension Schema Document
101.CAL*	Inline XBRL Taxonomy Extension Calculation Linkbase Document
101.DEF*	Inline XBRL Taxonomy Extension Definition Linkbase Document
101.LAB*	Inline XBRL Taxonomy Extension Label Linkbase Document
101.PRE*	Inline XBRL Taxonomy Extension Presentation Linkbase Document
104	Cover Page Interactive Data File (embedded within the Inline XBRL document)

* Filed herewith

** Furnished herewith

SIGNATURES

The registrant here by certifies that it meets all of the requirements for filing its annual report on Form 20-F and that it has duly caused and authorized the undersigned to sign this annual report on its behalf.

Xunlei Limited

By: /s/ Jinbo Li _____

Name: Jinbo Li

Title: Chairman of the Board and Chief Executive Officer

Date: April 28, 2022

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Report of Independent Registered Public Accounting Firm

To the Board of Directors and Shareholders of Xunlei Limited

Opinions on the Financial Statements and Internal Control over Financial Reporting

We have audited the accompanying consolidated balance sheets of Xunlei Limited and its subsidiaries (the “Company”) as of December 31, 2021 and 2020, and the related consolidated statements of comprehensive (loss)/income, of changes in shareholders’ equity and of cash flows for each of the three years in the period ended December 31, 2021, including the related notes (collectively referred to as the “consolidated financial statements”). We also have audited the Company’s internal control over financial reporting as of December 31, 2021, based on criteria established in *Internal Control - Integrated Framework (2013)* issued by the Committee of Sponsoring Organizations of the Treadway Commission (COSO).

In our opinion, the consolidated financial statements referred to above 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 three years in the period ended December 31, 2021 in conformity with accounting principles generally accepted in the United States of America. Also in our opinion, the Company maintained, in all material respects, effective internal control over financial reporting as of December 31, 2021, based on criteria established in *Internal Control - Integrated Framework (2013)* issued by the COSO.

Basis for Opinions

The Company’s management is responsible for these consolidated financial statements, for maintaining effective internal control over financial reporting, and for its assessment of the effectiveness of internal control over financial reporting, included in Management’s Annual Report on Internal Control over Financial Reporting appearing under Item 15. Our responsibility is to express opinions on the Company’s consolidated financial statements and on the Company’s internal control over financial reporting based on our audits. We are a public accounting firm registered with the Public Company Accounting Oversight Board (United States) (PCAOB) and are required to be independent with respect to the Company in accordance with the U.S. federal securities laws and the applicable rules and regulations of the Securities and Exchange Commission and the PCAOB.

We conducted our audits in accordance with the standards of the PCAOB. Those standards require that we plan and perform the audits to obtain reasonable assurance about whether the consolidated financial statements are free of material misstatement, whether due to error or fraud, and whether effective internal control over financial reporting was maintained in all material respects.

Our audits of the consolidated financial statements included performing procedures to assess the risks of material misstatement of the consolidated financial statements, whether due to error or fraud, and performing procedures that respond to those risks. Such procedures included examining, on a test basis, evidence regarding the amounts and disclosures in the consolidated financial statements. Our audits also included evaluating the accounting principles used and significant estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements. Our audit of internal control over financial reporting included obtaining an understanding of internal control over financial reporting, assessing the risk that a material weakness exists, and testing and evaluating the design and operating effectiveness of internal control based on the assessed risk. Our audits also included performing such other procedures as we considered necessary in the circumstances. We believe that our audits provide a reasonable basis for our opinions.

Definition and Limitations of Internal Control over Financial Reporting

A company's internal control over financial reporting is a process designed to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles. A company's internal control over financial reporting includes those policies and procedures that (i) pertain to the maintenance of records that, in reasonable detail, accurately and fairly reflect the transactions and dispositions of the assets of the company; (ii) provide reasonable assurance that transactions are recorded as necessary to permit preparation of financial statements in accordance with generally accepted accounting principles, and that receipts and expenditures of the company are being made only in accordance with authorizations of management and directors of the company; and (iii) provide reasonable assurance regarding prevention or timely detection of unauthorized acquisition, use, or disposition of the company's assets that could have a material effect on the financial statements.

Because of its inherent limitations, internal control over financial reporting may not prevent or detect misstatements. Also, projections of any evaluation of effectiveness to future periods are subject to the risk that controls may become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate.

Critical Audit Matters

The critical audit matter communicated below is a matter arising from the current period audit of the consolidated financial statements that was communicated or required to be communicated to the audit committee and that (i) relates to accounts or disclosures that are material to the consolidated financial statements and (ii) involved our especially challenging, subjective, or complex judgments. The communication of critical audit matters does not alter in any way our opinion on the consolidated financial statements, taken as a whole, and we are not, by communicating the critical audit matter below, providing a separate opinion on the critical audit matter or on the accounts or disclosures to which it relates.

Goodwill impairment assessment

As described in Notes 2(k) and 13 to the consolidated financial statements, the Company's consolidated goodwill balance was US\$23.1 million as of December 31, 2021. The goodwill balance was associated with the Company as a whole, being the sole reporting unit of the Company. Management conducts a goodwill impairment test on an annual basis, or more frequently if events or changes in circumstances indicate that the goodwill may be impaired. The impairment test for goodwill determines the fair value of the reporting unit and compares it to the carrying value of the assets and liabilities, including goodwill, of the reporting unit. The fair value is estimated by management using the discounted cash flow model. The discounted cash flow model is derived from the long-term cash flow projections prepared by management which include significant judgments and assumptions relating to revenue forecast, operating margins, the discount rate, and the terminal growth rate. As a result of the impairment test, management determined that the estimated fair value of the reporting unit exceeded its carrying value and therefore no goodwill impairment losses were recognized for the year ended December 31, 2021.

The principal considerations for our determination that performing procedures relating to goodwill impairment assessment is a critical audit matter are (i) the significant judgment by management when developing the fair value measurement of the reporting unit; (ii) a high degree of auditor judgment, subjectivity, and effort in performing procedures and evaluating management's significant assumptions related to revenue forecast, operating margins, the discount rate, and the terminal growth rate; and (iii) the audit effort involved the use of professionals with specialized skill and knowledge.

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Addressing the matter involved performing procedures and evaluating audit evidence in connection with forming our overall opinion on the consolidated financial statements. These procedures included testing the effectiveness of controls relating to management's goodwill impairment assessment, including controls over the valuation of the Company's reporting unit. These procedures also included, among others (i) testing management's process for developing the fair value estimate; (ii) evaluating the appropriateness of the discounted cash flow model; (iii) testing the completeness, accuracy, and relevance of underlying data used in the model; and (iv) evaluating the reasonableness of significant assumptions used by management, related to revenue forecast, operating margins, the discount rate, and the terminal growth rate. Evaluating management's significant assumptions involved evaluating whether the assumptions used by management were reasonable considering (i) historical performance; (ii) the consistency with relevant market and industry data; and (iii) whether these assumptions were consistent with evidence obtained in other areas of the audit. Professionals with specialized skill and knowledge were used to assist in the evaluation of the appropriateness of the Company's discounted cash flow model and reasonableness of certain significant assumptions, including the discount rate and the terminal growth rate.

/s/PricewaterhouseCoopers Zhong Tian LLP
Shenzhen, the People's Republic of China
April 28, 2022

We have served as the Company's auditor since 2014.

Xunlei Limited
Consolidated Balance Sheets

(Amounts expressed in thousands of United States dollars (“USD”),
except for number of shares and per share data)

	Note	As of December 31, 2020	As of December 31, 2021
Assets			
Current assets:			
Cash and cash equivalents	4	137,248	123,358
Short-term investments	5	117,821	115,652
Accounts receivable, net (Allowance for current expected credit losses of USD9,329 and USD1,764 as of December 31, 2020 and 2021, respectively)	6	22,983	26,135
Inventories	7	1,726	1,363
Due from related parties (Allowance for current expected credit losses of nil and USD339 as of December 31, 2020 and 2021, respectively)	25	10,970	15,578
Prepayments and other current assets (Allowance for current expected credit losses of USD10,283 and USD10,364 as of December 31, 2020 and 2021, respectively)	8	11,534	11,842
Total current assets		302,282	293,928
Non-current assets:			
Restricted cash	2(e)	1,541	4,078
Long-term investments	9	26,734	31,495
Property and equipment, net	10	50,725	57,657
Right-of-use assets	11	1,954	27
Intangible assets, net	12	8,857	8,299
Goodwill	2(k), 13	22,607	23,136
Due from a related party, non-current portion (Allowance for current expected credit losses of nil and USD689 as of December 31, 2020 and 2021, respectively)	25	—	19,311
Long-term prepayments and other assets	8	905	2,787
Total assets		415,605	440,718
Liabilities			
Current liabilities:			
Accounts payable (including accounts payable of the consolidated variable interest entity (“VIE”) without recourse to the Company of USD20,588 and USD23,789 as of December 31, 2020 and 2021, respectively)		20,644	26,407
Due to related parties (including due to related parties of the consolidated VIE without recourse to the Company of USD55 and USD91 as of December 31, 2020 and 2021, respectively)	25	5,389	1,597
Contract liabilities and deferred income, current portion (including contract liabilities and deferred income, current portion of the consolidated VIE without recourse to the Company of USD34,040 and USD36,740 as of December 31, 2020 and 2021, respectively)	14	34,040	36,892
Income tax payable (including income tax payable of the consolidated VIE without recourse to the Company of USD2,500 and USD2,451 as of December 31, 2020 and 2021, respectively)		2,553	2,531
Accrued liabilities and other payables (including accrued liabilities and other payables of the consolidated VIE without recourse to the Company of USD33,361 and USD42,449 as of December 31, 2020 and 2021, respectively)	15	38,689	49,557
Bank borrowings (including bank borrowings of the consolidated VIE without recourse to the Company of nil and USD2,876 as of December 31, 2020 and 2021, respectively)	16	—	2,876
Lease liabilities (including lease liabilities, current portion of the consolidated VIE without recourse to the Company of USD1,912 and USD18 as of December 31, 2020 and 2021, respectively)	11	1,961	18
Total current liabilities.		103,276	119,878

Xunlei Limited
Consolidated Balance Sheets (Continued)

(Amounts expressed in thousands of United States dollars ("USD"), except for number of shares and per share data)	Note	As of December 31, 2020	As of December 31, 2021
Non-current liabilities:			
Contract liabilities and deferred income, non-current portion (including contract liabilities and deferred income, non-current portion of the consolidated VIE without recourse to the Company of USD920 and USD845 as of December 31, 2020 and 2021, respectively)	14	920	845
Deferred tax liabilities, non-current portion (including deferred tax liabilities of the consolidated VIE without recourse to the Company of USD1,085 and USD930 as of December 31, 2020 and 2021, respectively)	23	1,085	930
Bank borrowings, non-current portion (including bank borrowings of the consolidated VIE without recourse to the Company of USD19,924 and USD17,291 as of December 31, 2020 and 2021, respectively)	16	19,924	17,291
Lease liabilities, non-current portion (including lease liabilities, non-current portion of the consolidated VIE without recourse to the Company of USD27 and USD7 as of December 31, 2020 and 2021, respectively)	11	27	7
Total liabilities		125,232	138,951
Commitments and contingencies	27		
Equity			
Common shares (368,877,205 shares issued and 334,401,981 shares outstanding as of December 31, 2020; 368,877,205 shares issued and 337,257,946 shares outstanding as of December 31, 2021)	17	84	84
Additional paid-in-capital		469,887	476,057
Accumulated other comprehensive (loss)/income		(2,144)	1,988
Statutory reserves		5,414	6,155
Treasury shares (34,475,224 shares and 31,619,259 shares as of December 31, 2020 and 2021, respectively)		8	8
Accumulated deficits		(181,095)	(180,645)
Total Xunlei Limited's shareholders' equity		292,154	303,647
Non-controlling interests	20	(1,781)	(1,880)
Total liabilities and shareholders' equity		415,605	440,718

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

Xunlei Limited
Consolidated Statements of Comprehensive (Loss)/Income

(Amounts expressed in thousands of USD, except for number of shares and per share data)	Note	Years ended December 31,		
		2019	2020	2021
Net revenues				
Total revenues, net of rebates and discounts	2(p), 2(x)	181,267	186,683	239,601
Business taxes and surcharges		(602)	(312)	(819)
Net revenues		180,665	186,371	238,782
Costs of revenues	21	(99,913)	(92,637)	(118,603)
Gross profit		80,752	93,734	120,179
Operating expenses				
Research and development expenses		(68,571)	(55,463)	(61,859)
Sales and marketing expenses		(31,820)	(18,064)	(24,569)
General and administrative expenses		(38,930)	(33,910)	(36,868)
Asset impairment gain/(loss), net of recoveries		2,147	(5,090)	(1,206)
Total operating expenses		(137,174)	(112,527)	(124,502)
Operating loss		(56,422)	(18,793)	(4,323)
Interest income		1,897	1,471	723
Interest expense		(75)	(406)	(95)
Other income, net	22	5,861	4,737	4,678
(Loss)/income before income tax		(48,739)	(12,991)	983
Income tax (expenses)/benefits	23	(4,676)	(1,149)	125
Net (loss)/income for the year		(53,415)	(14,140)	1,108
Less: net loss attributable to the non-controlling interests		(246)	(300)	(83)
Net (loss)/income attributable to Xunlei Limited		(53,169)	(13,840)	1,191

Xunlei Limited		Consolidated Statements of Comprehensive Loss (Continued)		
(Amounts expressed in thousands of USD, except for number of shares and per share data)	Note	Years ended December 31,		
		2019	2020	2021
Net (loss)/income for the year		(53,415)	(14,140)	1,108
Other comprehensive (loss)/income: Currency translation adjustments, net of tax		(650)	11,135	4,116
Comprehensive (loss)/income		(54,065)	(3,005)	5,224
Less: comprehensive loss attributable to non-controlling interests		(219)	(446)	(99)
Comprehensive (loss)/income attributable to Xunlei Limited		(53,846)	(2,559)	5,323
(Loss)/income per share for common shares				
Basic	24	(0.1574)	(0.0410)	0.0036
Diluted	24	(0.1574)	(0.0410)	0.0035
Weighted average number of common shares used in calculating				
Basic	24	337,845,675	337,429,601	334,707,559
Diluted	24	337,845,675	337,429,601	335,969,780

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

Xunlei Limited
Consolidated Statements of Changes in Shareholders' Equity

(Amounts expressed in thousands of USD, except for number of shares and per share data)	Common shares		Treasury stock		Additional paid-in capital	Accumulated deficits	Statutory reserves	Accumulated other comprehensive (loss)/income	Total Xunlei Limited's shareholders' equity	Non-controlling interest	Total equity
	Shares	Amount	Shares	Amount							
Balance at January 1, 2019	336,522,780	84	32,354,429	8	466,624	(113,804)	5,132	(12,748)	345,296	(1,116)	344,180
Share-based compensation	—	—	—	—	5,428	—	—	—	5,428	—	5,428
Restricted shares vested	2,642,465	1	(2,642,465)	(1)	—	—	—	—	—	—	—
Cancellation of common shares	(4)	—	—	—	—	—	—	—	—	—	—
Net loss	—	—	—	—	—	(53,169)	—	—	(53,169)	(246)	(53,415)
Currency translation adjustments	—	—	—	—	—	—	—	(677)	(677)	27	(650)
Balance at December 31, 2019	339,165,241	85	29,711,964	7	472,052	(166,973)	5,132	(13,425)	296,878	(1,335)	295,543
Repurchase of common shares	(5,956,960)	(1)	5,956,960	1	(4,475)	—	—	—	(4,475)	—	(4,475)
Share-based compensation	—	—	—	—	2,310	—	—	—	2,310	—	2,310
Restricted shares vested	1,193,700	—	(1,193,700)	—	—	—	—	—	—	—	—
Appropriation of statutory reserves	—	—	—	—	—	(282)	282	—	—	—	—
Net loss	—	—	—	—	—	(13,840)	—	—	(13,840)	(300)	(14,140)
Currency translation adjustments	—	—	—	—	—	—	—	11,281	11,281	(146)	11,135
Balance at December 31, 2020	334,401,981	84	34,475,224	8	469,887	(181,095)	5,414	(2,144)	292,154	(1,781)	290,373
Share-based compensation	—	—	—	—	6,170	—	—	—	6,170	—	6,170
Restricted shares vested	2,855,965	—	(2,855,965)	—	—	—	—	—	—	—	—
Appropriation of statutory reserves	—	—	—	—	—	(741)	741	—	—	—	—
Net income	—	—	—	—	—	1,191	—	—	1,191	(83)	1,108
Currency translation adjustments	—	—	—	—	—	—	—	4,132	4,132	(16)	4,116
Balance at December 31, 2021	337,257,946	84	31,619,259	8	476,057	(180,645)	6,155	1,988	303,647	(1,880)	301,767

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

Xunlei Limited
Consolidated Statements of Cash Flows

(Amounts expressed in thousands of USD except for number of shares and per share data)	Years ended December 31,		
	2019	2020	2021
Cash flows from operating activities			
Net (loss)/income for the year	(53,415)	(14,140)	1,108
Adjustments to reconcile net (loss)/income to net cash (used in)/generated from operating activities			
—Depreciation of property and equipment	5,824	9,277	6,319
—Amortization of intangible assets	1,200	1,216	1,129
—Amortization of the right-of-use assets	5,634	3,685	1,934
—Allowance for doubtful accounts	(2,128)	5,305	1,213
—Loss/(gain) on disposal of property and equipment	144	(55)	31
—Share-based compensation	5,428	2,310	6,170
—Investment income from short-term investments	(1,708)	(664)	(404)
—Impairment of inventories	3,578	3,283	429
—Impairment of long-term investments	19,831	794	—
—Net unrealized gains on long-term investments	(10,907)	(794)	—
—Investment income on disposal of long-term investments	(579)	(214)	(42)
—Interest expense accrued on due to related parties	75	406	95
—Deferred taxes	4,361	966	(178)
—Deferred government grants	(1,735)	(865)	(169)
Changes in operating assets and liabilities:			
—Accounts receivable	(8,739)	5,048	(2,168)
—Prepayments and other assets	772	(1,263)	(2,319)
—Due from/to related parties	(684)	(8,598)	(8,507)
—Accounts payable	2,086	(4,938)	5,238
—Inventories	3,435	643	(36)
—Contract liabilities	(664)	289	2,112
—Income tax payable	98	(163)	(77)
—Accrued liabilities and other payables	(12,580)	(11,707)	9,605
—Lease liabilities	(4,976)	(3,732)	(2,003)
Net cash (used in)/generated from operating activities	(45,649)	(13,911)	19,480
Cash flows from investing activities			
Purchase of short-term investments	(355,294)	(177,075)	(337,738)
Proceeds from collection upon maturities of short-term investments	450,687	167,439	341,960
Proceeds from disposal of property and equipment	576	721	207
Proceeds from disposal of long-term investments	528	1,076	42
Purchase of intangible assets	(433)	(59)	(84)
Acquisition of long-term investments	(2,838)	—	(3,627)
Repayment/(payment) of loans to employees	711	696	(177)
Acquisition of property and equipment	(3,084)	(134)	(5,821)
Loan to a related party	—	—	(20,000)
Payment for construction in progress	(11,593)	(13,420)	(7,381)
Net cash generated from/(used in) investing activities	79,260	(20,756)	(32,619)
Cash flows from financing activities			
Repurchase of shares	—	(4,475)	—
Governments grants received	853	—	—
Proceeds from bank borrowings	11,324	7,816	2,196
Repayment of bank borrowings	—	—	(2,419)
Repayment of loans due to a related party arising from a business combination	—	(662)	—
Net cash generated from/(used in) financing activities	12,177	2,679	(223)
Net increase/(decrease) in cash, cash equivalents and restricted cash	45,788	(31,988)	(13,362)
Effect of exchange rates on cash and cash equivalents, and restricted cash	(3,270)	5,329	2,009
Cash and cash equivalents at beginning of year	122,930	162,465	137,248
Restricted cash at beginning of year	—	2,983	1,541
Cash, cash equivalents and restricted cash at beginning of year	122,930	165,448	138,789
Cash and cash equivalents at end of year	162,465	137,248	123,358
Restricted cash at end of year	2,983	1,541	4,078
Cash, cash equivalents and restricted cash at end of year	165,448	138,789	127,436
Supplemental disclosure of cash flow information			
Income tax paid	(142)	(356)	(66)
Non-cash investing and financing activities			
—Acquisition of property and equipment in form of other payables	(321)	(5,217)	(568)
—Acquisition of right-of-use assets and lease liabilities, net off impact from lease modification	2,723	(3,325)	(10)

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

Xunlei Limited
Notes to the consolidated financial statements
(Amounts in US dollars unless otherwise stated)

1. Organization and nature of operations

Xunlei Limited, previously known as Giganology Limited, (the "Company") was incorporated under the law of the Cayman Islands as a limited liability company on February 3, 2005. The Company completed its initial public offering on June 24, 2014 on the NASDAQ Global Market. Each American Depositary Shares ("ADSs") of the Company represents five common shares.

These consolidated financial statements include the financial statements of the Company, its subsidiaries, its variable interest entity ("VIE") and VIE's subsidiaries (collectively referred to as the "Group"). As of December 31, 2021, the Company's major subsidiaries, VIE and VIE's subsidiaries are as follows:

Name of entities	Place of incorporation	Period of incorporation	Relationship	% of direct or indirect economic ownership	Principal activities
Shenzhen Xunlei Networking Technologies Co., Ltd. ("Shenzhen Xunlei")	People's Republic of China ("PRC")	January 2003	VIE	100 %	Development of software, provision of online advertising and membership subscription
Giganology (Shenzhen) Co., Ltd. ("Giganology Shenzhen")	PRC	June 2005	Subsidiary	100 %	Development of computer software and provision of information technology services to related companies
Shenzhen Xunlei Wangwenhua Co., Ltd. (formerly known as "Shenzhen Fengdong Networking Technologies Co., Ltd.") ("Wangwenhua")	PRC	December 2005	VIE's subsidiary	100 %	Development of computer software, provision of advertising services and operation of live steaming platforms
Xunlei Games Development (Shenzhen) Co., Ltd. ("Xunlei Games")	PRC	February 2010	VIE's subsidiary	70 % (note 20)	Development of online game and computer software to related companies and provision of advertising services
Xunlei Network Technologies Limited ("Xunlei BVI")	British Virgin Islands	February 2011	Subsidiary	100 %	Investment holding company
Xunlei Network Technologies Limited ("Xunlei HK")	Hong Kong	March 2011	Subsidiary	100 %	Investment holding company and development of computer software
Xunlei Computer (Shenzhen) Co., Ltd. ("Xunlei Computer")	PRC	November 2011	Subsidiary	100 %	Development of computer software and provision of information technology services
Shenzhen Onething Technologies Co., Ltd. ("Onething")	PRC	September 2013	VIE's subsidiary	100 %	Development of cloud computing technology and provision of related services
Beijing Xunjing Technologies Co., Ltd. (formerly known as "Wangxin Century Technologies (Beijing) Co., Ltd.") ("Beijing Xunjing")	PRC	October 2015	VIE's subsidiary	100 %	Development of computer software and provision of information technology services

Xunlei Limited
Notes to the consolidated financial statements
(Amounts in US dollars unless otherwise stated)

1. Organization and nature of operations (Continued)

Name of entities	Place of incorporation	Period of incorporation	Relationship	% of direct or indirect economic ownership	Principal activities
Henan Tourism Information Co., Ltd. ("Henan Tourism")	PRC	June 2018	VIE's Subsidiary	80 % (note 20)	Software development, tourism consulting, ticket agent and other related services
Jiangxi Node Technology Service Co., Ltd. ("Jiangxi Node")	PRC	July 2020	VIE's subsidiary	100 %	Development of cloud computing technology and provision of related services
FUNI. PTE. LTD. ("FUNI")	Singapore	April 2021	Subsidiary	100 %	Operation of live streaming platform

Note: The English names of the PRC companies represent management's translation of the Chinese names of these companies as they have not adopted formal English names.

The Group engages primarily in the provision of premium downloading services to its members, sales of bandwidth, platforms for live streaming services, advertising services and other internet value added services.

To comply with the PRC laws and regulations that prohibit or restrict foreign ownership of companies that provide online advertising services, operate online games, and hold Internet Content Provider ("ICP") license, the Company conducts its business through Shenzhen Xunlei, the VIE.

Through the various agreements enacted among the Company, Giganology Shenzhen, a wholly owned subsidiary of the Company, Shenzhen Xunlei and legal shareholders of Shenzhen Xunlei, the Company as the primary beneficiary received all of the economic benefits and residual interest and absorbed all of the risks and expected losses from Shenzhen Xunlei.

Xunlei Limited
Notes to the consolidated financial statements
(Amounts in US dollars unless otherwise stated)

1. Organization and nature of operations (Continued)

Details of certain key agreements with the VIE are as follows:

—**Loan Agreements** between Giganology Shenzhen and the shareholders of Shenzhen Xunlei— Giganology Shenzhen provided interest-free loans of RMB9 million to the legal shareholders of Shenzhen Xunlei for them to make contributions as registered capital into Shenzhen Xunlei. The terms of these agreements last for two years from the date it was signed, and will be automatically extended afterwards on a yearly basis until each legal shareholder of Shenzhen Xunlei has repaid the loans in its entirety in accordance with the loan agreement. The legal shareholders would not be allowed to transfer their interests in Shenzhen Xunlei without prior consent of Giganology Shenzhen. According to the loan agreements, the loans can only be repaid in the form of common shares of Shenzhen Xunlei. At any time during the term of the loan agreements, Giganology Shenzhen may, at their sole discretion, requires any of the legal shareholders of Shenzhen Xunlei to repay all or any portion of their outstanding loan under the agreement.

Under a separate loan agreement between Giganology Shenzhen and Mr. Sean Shenglong Zou as a legal shareholder of Shenzhen Xunlei, Giganology Shenzhen made an additional interest-free loan of RMB20 million to Mr. Sean Shenglong Zou, the entire amount of which was contributed to the registered capital of Shenzhen Xunlei, increasing the registered capital of Shenzhen Xunlei to RMB30 million. The term of this agreement lasts for two years from the date it was signed, and will be automatically extended afterwards on a yearly basis until Mr. Zou has repaid the loan in its entirety in accordance with the loan agreement. This loan will be deemed to be repaid when all equity interest held by the shareholders in Shenzhen Xunlei has been transferred to Giganology Shenzhen or its designated parties. At any time during the term of this loan agreement, the Company may, at their sole discretion, require all or any portion of the outstanding loan under the agreement to be repaid.

—**Business Operation Agreements** between Giganology Shenzhen and Shenzhen Xunlei - Under these agreements, Giganology Shenzhen has the rights to direct the operating activities of Shenzhen Xunlei, including the appointment of senior management. The legal shareholders of Shenzhen Xunlei also transferred all their shareholders' rights to Giganology Shenzhen. The term of this agreement may be extended with Giganology Shenzhen's confirmation prior to the expiration date. The agreement became expired in November 2016 and has been extended to November 2026.

—**Equity Pledge Agreement** between Giganology Shenzhen and the legal shareholders of Shenzhen Xunlei - Under this agreement, the legal shareholders of Shenzhen Xunlei pledged all of their equity interests in Shenzhen Xunlei to Giganology Shenzhen. If Shenzhen Xunlei and/or its legal shareholders breach their contractual obligations under this agreement, Giganology Shenzhen, as pledgee, will be entitled to certain rights, including the right to sell the pledged equity interests.

—**Power of Attorney** - Each legal shareholder of Shenzhen Xunlei appointed Giganology Shenzhen as its attorney-in-fact to exercise their shareholders' rights in Shenzhen Xunlei, including shareholders' voting rights. Each power of attorney will remain in force for 10 years starting from May 2011 unless the business operation agreement among Giganology Shenzhen, Shenzhen Xunlei and the legal shareholders of Shenzhen Xunlei is terminated in advance. This period may be extended at Giganology Shenzhen's discretion. The agreement expired in May 2021 and has been extended to May 2031.

Xunlei Limited
Notes to the consolidated financial statements
(Amounts in US dollars unless otherwise stated)

1. Organization and nature of operations (Continued)

—**Service Agreements** between Giganology Shenzhen and Shenzhen Xunlei — Under various service agreements, Giganology Shenzhen will provide services including technical support, training, as well as consulting services to Shenzhen Xunlei in exchange for a service fee. These service agreements include the Exclusive Technology Support and Services Agreement, the Exclusive Technology Consulting and Training Agreement and the Software and Proprietary Technology License Contract. Giganology Shenzhen is entitled to service fees equal to 20%, 20% and 40% of the pre-tax operating profit of Shenzhen Xunlei according to the terms and provisions of these agreements, respectively (in aggregate 80% of pre-tax operating profit of Shenzhen Xunlei). In addition, these agreements also allow both parties to review and adjust the above mentioned percentage every six months according to the business operation and income of Shenzhen Xunlei so as to enable Giganology Shenzhen to extract substantially all the after tax operating profit of Shenzhen Xunlei.

For the Exclusive Technology Support and Services Agreement and the Exclusive Technology Consulting and Training Agreement, the term of these agreements will expire in 2025 and may be extended with Giganology Shenzhen’s written confirmation prior to the expiration date. Giganology Shenzhen is entitled to terminate the agreement at any time by providing 30 days’ prior written notice to Shenzhen Xunlei.

For the Proprietary Technology License Contract, the term of this contract became expired in March 2022 and has been extended with Giganology Shenzhen to March 2032. Giganology Shenzhen grants Shenzhen Xunlei a non-exclusive and non-transferable right to use Giganology Shenzhen’s proprietary technology. Shenzhen Xunlei can only use the proprietary technology to conduct business according to its authorized business scope. Giganology Shenzhen or its designated representative(s) owns the rights to any new technology developed due to implementation of this contract.

—**Intellectual Properties Purchase Option Agreement** between Giganology Shenzhen and Shenzhen Xunlei — Giganology Shenzhen has an option to acquire Shenzhen Xunlei’s intellectual properties at the lowest price permissible by the then-applicable PRC laws and regulation. The term of this contract became expired in March 2022 and had been automatically extended for an additional 10 years at Giganology Shenzhen’s discretion to March 2032.

—**Call Option Agreement** — Giganology Shenzhen has an option to acquire all of the outstanding shares of Shenzhen Xunlei at a purchase price equal to RMB1 or the lowest price permissible by the then-applicable PRC laws and regulation. The term of the agreement will expire in 2022 and may be extended at Giganology Shenzhen’s discretion.

As a result of these agreements (collectively defined as “Structured Service Contracts”), Giganology Shenzhen can exercise effective control over Shenzhen Xunlei, receives all of the economic benefits and residual interest and absorbs all of the risks and expected losses from Shenzhen Xunlei as if it were the sole shareholder, and has an exclusive option to purchase all of the equity interest in Shenzhen Xunlei at a minimal price. Therefore, Giganology Shenzhen is considered the primary beneficiary of Shenzhen Xunlei and accordingly Shenzhen Xunlei’s results of operations, assets and liabilities have been consolidated in the Company’s financial statements.

Xunlei Limited
Notes to the consolidated financial statements
(Amounts in US dollars unless otherwise stated)

1. Organization and nature of operations (Continued)

VIE-related risks

It is possible that the Group's operation of certain of its operations and businesses through VIE could be found by PRC authorities to be in violation of PRC laws and regulations prohibiting or restricting foreign ownership of companies that engage in such operations and businesses. While the Group's management considers the possibility of such a finding by PRC regulatory authorities under current laws and regulations to be remote, on January 19, 2015, the Ministry of Commerce of the PRC, or (the "MOFCOM") released on its Website for public comment a proposed PRC law (the "Draft FIE Law") that appears to include VIE within the scope of entities that could be considered to be foreign invested enterprises (or "FIEs") that would be subject to restrictions under existing PRC law on foreign investment in certain categories of industry. Specifically, the Draft FIE Law introduces the concept of "actual control" for determining whether an entity is considered to be an FIE. In addition to control through direct or indirect ownership or equity, the Draft FIE Law includes control through contractual arrangements within the definition of "actual control". If the Draft FIE Law is passed by the People's Congress of the PRC and goes into effect in its current form, these provisions regarding control through contractual arrangements could be construed to reach the VIE arrangements, and as a result the VIE could become explicitly subject to the current restrictions on foreign investment in certain categories of industry. The Draft FIE Law includes provisions that would exempt from the definition of foreign invested enterprises entities where the ultimate controlling shareholders are either entities organized under PRC law or individuals who are PRC citizens.

On December 26, 2018, the Standing Committee of National People's Congress published the Draft FIE Law on its official website for public consultation (the "2018 Draft Foreign Investment Law"). The 2018 Draft Foreign Investment Law does not explicitly recognize the variable interest entity structure as a form of foreign investment. Since the 2018 Draft Foreign Investment Law remains silent with respect to the variable interest entity structure as a form of foreign investment, the validity of the VIE structure as a whole and each of the agreements comprising VIE will not be affected by the 2018 Draft Foreign Investment Law. It leaves leeway for government's future regulation of the variable interest entity structure. According to the deliberation and voting results from the final session of the 13th National People's Congress on March 15, 2019, the FIE Law has been enacted and there was no substantial change to the 2018 Draft Foreign Investment Law. However, it is possible that future laws, administrative regulations, or provisions of the State Council may recognize the variable interest entity structure as a form of foreign investment but at the same time impose additional requirements/restrictions on the contractual arrangements. It is also possible that further laws, administrative regulations, or provisions of the State Council may explicitly exclude the variable interest entity structure as a form of foreign investment.

If a finding was made by PRC authorities under existing laws and regulations and becomes effective, the Group's operation of certain of its operations and businesses through VIE, regulatory authorities with jurisdiction over the licensing and operation of such operations and businesses would have broad discretion in dealing with such a violation, including levying fines, confiscating the Group's income, revoking the business or operating licenses of the affected businesses, requiring the Group to restructure its ownership structure or operations, or requiring the Group to discontinue all or any portion of its operations. Any of these actions could cause significant disruption to the Group's business operations, and have a severe adverse impact on the Group's cash flows, financial position and operating performance.

In addition, it is possible that the contracts among the Group, the VIE and shareholders of VIE would not be enforceable in China if PRC government authorities or courts were to find that such contracts contravene PRC law and regulations or are otherwise not enforceable for public policy reasons. In the event that the Group was unable to enforce these contractual arrangements, the Group would not be able to exert effective control over the affected VIE. Consequently, such VIE's results of operations, assets and liabilities would not be included in the Group's consolidated financial statements. If such were the case, the Group's cash flows, financial position and operating performance would be severely adversely affected. The Group's contractual arrangements with respect to VIE are approved and in place. The Group's management believes that such contracts are enforceable, and considers the possibility remote that PRC regulatory authorities with jurisdiction over the Group's operations and contractual relationships would find the contracts to be unenforceable.

Xunlei Limited
Notes to the consolidated financial statements
(Amounts in US dollars unless otherwise stated)

2. Summary of significant accounting policies

(a) Basis of presentation and use of estimates

The consolidated financial statements of the Group have been prepared in accordance with accounting principles generally accepted in the United States of America (“U.S. GAAP”). Significant accounting policies followed by the Group in the preparation of the accompanying consolidated financial statements are summarized below.

The preparation of financial statements in conformity with U.S. GAAP requires management to make estimates and assumptions that affect the amounts reported in the accompanying consolidated financial statements and related disclosures. Actual results could differ materially from these estimates. Significant accounting estimates reflected in the Group’s consolidated financial statements mainly include allowance for credit losses, valuation allowance of deferred tax assets, impairment assessment of goodwill and impairment assessment of long-lived assets.

Management bases the estimates on historical experience and on various other assumptions that are believed to be reasonable, the results of which form the basis for making judgments about the carrying values of assets and liabilities. Actual results could differ from these estimates.

(b) Consolidation

The consolidated financial statements include the financial statements of the Company, its subsidiaries, VIE for which the Company is the primary beneficiary and its subsidiaries. All significant transactions and balances among the Company, its subsidiaries, VIE and its subsidiaries have been eliminated upon consolidation.

A subsidiary is an entity in which the Company, directly or indirectly, controls more than one-half of the voting power, or has the power to appoint or remove the majority of the members of the board of directors to cast majority of votes at meetings of the board of directors or to govern the financial and operating policies of the investee under a statute or agreement among the shareholders or equity holders.

An entity is considered to be a VIE if the entity’s equity holders do not have the characteristics of a controlling financial interest or do not have sufficient equity at risk for the entity to finance its activities without additional subordinated financial support from other parties.

The Group consolidates entities for which the Company is the primary beneficiary if the entity’s other equity holders do not have the characteristics of a controlling financial interest or do not have sufficient equity at risk for the entity to finance its activities without additional subordinated financial support from other parties.

In determining whether the Company or its subsidiary is the primary beneficiary of a VIE, the Company considered whether it has the power to direct activities that are significant to the VIE’s economic performance, including the power to appoint senior management, right to direct company strategy, power to approve capital expenditure budgets, and power to establish and manage ordinary business operation procedures and internal regulations and systems.

Xunlei Limited
Notes to the consolidated financial statements
(Amounts in US dollars unless otherwise stated)

2. Summary of significant accounting policies (Continued)

(b) Consolidation (Continued)

Management has evaluated the contractual arrangements among Giganology Shenzhen, Shenzhen Xunlei and its shareholders and concluded that Giganology Shenzhen receives all of the economic benefits and absorbs all of the expected losses from Shenzhen Xunlei and has the power to direct the aforementioned activities that are significant to Shenzhen Xunlei's economic performance, and is the primary beneficiary of Shenzhen Xunlei. Therefore, Shenzhen Xunlei and its subsidiaries' results of operation, assets and liabilities have been included in the Group's consolidated financial statements. Management monitors the regulatory risk associated with these contractual arrangements. See note 28 for further discussion.

Non-controlling interests represent the portion of the net assets of a subsidiary attributable to interests that are not owned by the Company. The non-controlling interests are presented in the consolidated balance sheets, separately from equity attributable to the shareholders of the Company. Non-controlling interests in the results of the Group is presented on the face of the consolidated statements of comprehensive (loss)/income as an allocation of the total income or loss for the year between non-controlling shareholders and the shareholders of the Company.

(c) Business combinations

The Group accounts for acquisitions of entities that include inputs and processes and have the ability to generate economic benefit as business combinations. The Group allocates the purchase price of the acquisition to the tangible assets and identifiable intangible assets acquired based on their estimated fair values. The excess of the purchase price over those fair values is recorded as goodwill. Acquisition-related costs are expensed as incurred.

(d) Foreign currency translation

The Company's reporting and functional currency is the United States Dollar ("USD"). The functional currency of Onething Co., Ltd. (Thailand) ("Thailand Onething") is the Thai Baht ("THB"), the functional currency of other subsidiaries, VIE and VIE's subsidiaries located in the Mainland China is the Renminbi ("RMB"), and the functional currency of other subsidiaries located outside the Mainland China is the USD, which is their respective local currency. Transactions denominated in foreign currencies are remeasured into the functional currency at the exchange rates prevailing on the transaction dates. Financial assets and liabilities denominated in foreign currencies are remeasured into the functional currency using the applicable exchange rates prevailing at the balance sheet date. The resulting exchange gains and losses from foreign currency transactions are included in "Other income, net" within the consolidated statements of comprehensive (loss)/income.

The Company uses the monthly average exchange rate for the year and the exchange rates at the balance sheet date to translate the operating results and financial position, respectively, of its subsidiaries whose functional currency is other than the USD. The resulting translation differences are recorded in cumulated translation adjustments, a component of shareholders' equity.

The exchange rate used is the one released by Chinese State Administration of Foreign Exchange.

Xunlei Limited
Notes to the consolidated financial statements
(Amounts in US dollars unless otherwise stated)

2. Summary of significant accounting policies (Continued)

(e) Cash and cash equivalents and restricted cash

Cash and cash equivalents include cash on hand, cash in bank and time deposits placed with banks or other financial institutions, which have original maturities of three months or less and are readily convertible to known amounts of cash.

Cash that is restricted as to withdrawal or for use or pledged as security is reported separately on the face of the consolidated balance sheets, and is included in the total cash, cash equivalents, and restricted cash in the consolidated statements of cash flows. The Group's restricted cash is substantially cash balance on deposit as required by the court for ongoing litigations.

(f) Short-term investments

Short-term investments include deposits placed with banks with original maturities of more than three months but within one year and investments in financial instruments with a variable interest rate indexed to the performance of underlying assets. In accordance with *ASC 825 Financial Instruments*, for investments in financial instruments with a variable interest rate indexed to performance of underlying assets, the Group elected the fair value method at the date of initial recognition and carried these investments subsequently at fair value. Changes in the fair value are reflected in the consolidated statements of comprehensive (loss)/income. Interest generated from short term investments are recorded when interest payments are received at the maturity date. It is recorded as "Other income, net" on the statement of comprehensive (loss)/income and measured based on the actual amount of interest the Group received.

(g) Allowance for expected credit losses

Effective on January 1, 2020, the Group adopted Accounting Standards Update (ASU) 2016-13, *Financial Instruments - Credit Losses (Topic 326)* under a modified retrospective transition, which requires the measurement and recognition of expected credit losses for financial assets held at amortized cost with the cumulative-effect adjustment recognized to the opening balance of accumulated deficit of the Group as of January 1, 2020. ASU 2016-13 replaces the existing incurred loss impairment model with an expected loss methodology, referred to as a current expected credit losses ("CECL") methodology, which will result in more timely recognition of credit losses. The CECL methodology requires that the full amount of expected credit losses for the lifetime of the financial instrument be recorded at the time it is originated or acquired, considering relevant historical experience, current conditions and reasonable and supportable macroeconomic forecasts that affect the collectability of financial assets, and adjusted for changes in expected lifetime credit losses subsequently, which may require earlier recognition of credit losses. The Group's accounts receivable, due from related parties and other current assets (including other receivables) and other long-term non-current assets (including other long-term receivables) are within the scope of ASC Topic 326.

The Group assessed the credit loss for accounts receivable with similar risk characteristics on a pool basis. The credit loss assessment for each pool was mainly based on past collection experience, consideration of current and future economic conditions and changes in the Group's collection trends.

The credit allowances provided for accounts receivable as of December 31, 2020 and 2021 were USD9,329,000 and USD1,764,000, respectively.

(h) Inventories

Inventories are stated at the lower of cost or net realizable value. Cost is determined using actual cost on a weighted average basis. Net realizable value is the amount that can be realized from the sale of the inventory in the normal course of business after allowing for the costs of realization.

Xunlei Limited
Notes to the consolidated financial statements
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2. Summary of significant accounting policies (Continued)

(i) Long-term investments

The Group holds investments in privately held companies. On January 1, 2018, the Group adopted ASU 2016-01, *Financial Instruments*, and started to measure long-term equity investments, other than equity method investments, at fair value through earnings. For those investments over which the Group does not have significant influence and without readily determinable fair value, the Group elected to record these investments at cost, less impairment, and plus or minus subsequent adjustments for observable price changes. Under this measurement alternative, changes in the carrying value of equity investments will be required to be made whenever there are observable price changes in orderly transactions for the identical or similar investment of the same issuer.

Management regularly evaluates the impairment of long-term equity investments based on performance and financial position of the investee as well as other evidence of market value. Such evaluation includes, but not limited to, reviewing the investee's cash position, recent financing, projected and historical financial performance, cash flow forecasts and financing needs. An impairment loss recognised equal to the excess of the investment costs over its fair value at the end of each reporting period for which the assessment is made. The fair value would then become the new cost basis of investment.

During the years ended December 31, 2019, 2020 and 2021 the Group recognized an impairment of USD19,831,000, USD794,000 and nil, and share of loss of equity investees of nil, nil and nil from equity method investments, respectively.

(j) Property and equipment

Property and equipment are stated at historical cost less accumulated depreciation and impairment loss, if any. Depreciation is calculated using the straight-line method over their estimated useful lives. Residual rate is determined based on the economic value of the asset at the end of the estimated useful life as a percentage of the original cost. If the Group commits to a plan to abandon a long-lived asset before the end of its previous estimated useful life, depreciation shall be revised to reflect a shortened useful life.

	<u>Estimated useful lives</u>	<u>Residual rate</u>
Servers and network equipment	3-5 years	5 %
Computer equipment	5 years	5 %
Furniture, fixtures and office equipment	3-5 years	5 %
Motor vehicles	5 years	5 %
Leasehold improvements	Shorter of lease term or 3 years	—

Repair and maintenance costs are expensed as incurred. Expenditures that substantially increase an asset's useful life are capitalized. Upon sale or disposal, gain or loss on the disposal of property and equipment is the difference between the net sales proceeds and the carrying amount of the relevant assets and is recognized in the consolidated statements of comprehensive (loss)/income. The cost and related accumulated depreciation are removed from the consolidated balance sheets.

Xunlei Limited
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2. Summary of significant accounting policies (Continued)

(k) Goodwill

Goodwill represents the excess of the purchase consideration over the fair value of the identifiable tangible and intangible assets acquired and liabilities assumed from the acquired entity as a result of the Company's acquisitions of interests in its subsidiaries, VIE and VIE's subsidiaries. Goodwill is not amortized but is tested for impairment on an annual basis, or more frequently if events or changes in circumstances indicate that it might be impaired. The Company first assesses qualitative factors to determine whether it is necessary to perform the two-step quantitative goodwill impairment test. In the qualitative assessment, the Company considers primary factors such as industry and market considerations, overall financial performance of the reporting unit, and other specific information related to the operations. Based on the qualitative assessment, if it is more likely than not that the fair value of each reporting unit is less than the carrying amount, the quantitative impairment test is performed.

In performing the two-step quantitative impairment test, the first step compares the fair values of each reporting unit to its carrying amount, including goodwill. If the fair value of each reporting unit exceeds its carrying amount, goodwill is not considered to be impaired and the second step will not be required. If the carrying amount of a reporting unit exceeds its fair value, the second step compares the implied fair value of goodwill to the carrying value of a reporting unit's goodwill. The implied fair value of goodwill is determined in a manner similar to accounting for a business combination with the allocation of the assessed fair value determined in the first step to the assets and liabilities of the reporting unit. The excess of the fair value of the reporting unit over the amounts assigned to the assets and liabilities is the implied fair value of goodwill. This allocation process is only performed for the purposes of evaluating goodwill impairment and does not result in an entry to adjust the value of any assets or liabilities. Application of a goodwill impairment test requires significant management judgment, including the identification of reporting units, allocation of assets, liabilities and goodwill to reporting units, and determination of the fair value of each reporting unit.

Starting in 2020, the Company adopted the FASB issued ASU 2017-04: Intangibles—Goodwill and Other (Topic 350): Simplifying the Test for Goodwill Impairment (the "Update"). To simplify the subsequent measurement of goodwill, the Board eliminated Step 2 from the goodwill impairment test. Under the amendments in this Update, an entity should perform its annual, or interim, goodwill impairment test by comparing the fair value of a reporting unit with its carrying amount. An entity should recognize an impairment charge for the amount by which the carrying amount exceeds the reporting unit's fair value; however, the loss recognized should not exceed the total amount of goodwill allocated to that reporting unit. An entity should apply the amendments in this Update on a prospective basis. An entity is required to disclose the nature of and reason for the change in accounting principle upon transition. It is more likely that, by adopting simplified measurement which eliminates the Step 2 from goodwill impairment test, an entity with the triggering event for goodwill impairment will recognize more goodwill impairment than it would do under the old model.

The Group's goodwill was attributable to the Company as a whole. The impairment test for goodwill determines the fair value of the reporting unit, the Company as a whole, and compares it to the carrying value of the assets and liabilities, including goodwill, of the reporting unit. The fair value of the Company was estimated by management using the discounted cash flow model derived from the long-term (five-year) cash flow projections, which included significant judgements and assumptions relating to revenue forecast and operating margins, discount rate of 18.2% that reflects market assessments of the time value and the specific risks relating to the Company, and cash flows beyond the five-year period are extrapolated using a terminal growth rate of 2%.

No goodwill impairment losses were recognized for the years ended December 31, 2019, 2020 and 2021 based on the impairment test performed by the Group.

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2. Summary of significant accounting policies (Continued)

(l) Intangible assets

Intangible assets, which include land use rights, acquired computer software and audio-visual license, are carried at cost less accumulated amortization with no residual value and impairment loss, if any. Amortization of intangible assets is computed using the straight-line method over the estimated useful lives of the assets as follows:

	<u>Estimated useful lives</u>
Land use rights	30 years
Acquired computer software	5 years
Audio-visual license	9 years

(m) Impairment of long-lived assets

For other long-lived assets, the Group evaluates its long-lived assets for impairment whenever events or changes in circumstances indicate that the carrying amount of an asset may no longer be recoverable. The Group assesses the recoverability of the long-lived assets by comparing the carrying value of the long-lived assets to the estimated undiscounted future cash flows expected to be received from use of the assets and their eventual disposition at the lowest level of identifiable cash flows. Such assets are considered to be impaired if the sum of the expected undiscounted cash flows is less than the carrying amount of the assets. If the Group identifies an impairment, the carrying value of the asset will be reduced to its estimated fair value based on a discounted cash flow approach or, when available and appropriate, to comparable market values.

(n) Commitments and contingencies

In the normal course of business, the Group is subject to contingencies, such as legal proceedings and claims arising out of its business, that cover a wide range of matters. Liabilities for such contingencies are recorded when it is probable that a liability has been incurred and the amount of the assessment can be reasonably estimated. In regard to legal cost, the Group recorded such costs as incurred.

Certain conditions may exist as of the date the financial statements are issued, which may result in a loss to the Group, but which will only be resolved when one or more future events occur or fail to occur. The Group's management and its legal counsel assess such contingent liabilities, and such assessment inherently involves an exercise of judgment. In assessing loss contingencies related to legal proceedings that are pending against the Group or unasserted claims that may result in such proceedings, the Group, in consultation with its legal counsel, evaluates the perceived merits of any legal proceedings or unasserted claims as well as the perceived merits of the amount of relief sought or expected to be sought therein.

If the assessment of a contingency indicates that it is probable that a material loss has been incurred and the amount of the liability can be estimated, then the estimated liability would be accrued in the Group's financial statements. If the assessment indicates that a potentially material loss contingency is not probable, but is reasonably possible, or is probable but cannot be estimated, then the nature of the contingent liability, together with an estimate of the range of possible loss, if determinable and material, would be disclosed.

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2. Summary of significant accounting policies (Continued)

(o) Operating leases

On January 1, 2019, the Group adopted *ASC Topic 842 Leases* (“ASC 842”) to revise the accounting for leases. The adoption of new lease standard requires a lessee to recognize a right-of-use asset and a lease liability, initially measured at the present value of the lease payments, in its balance sheet.

Lessees shall follow the requirements to classify most leases as either financing or operating using principles similar to previous lease accounting. In the statement of comprehensive (loss)/income, a lessee shall present both of the following: a) for finance leases, the interest expense on the lease liability and amortization of the right-of-use asset are not required to be presented as separate line items and shall be presented in a manner consistent with how the entity presents other interest expense and depreciation or amortization of similar assets, respectively; b) for operating leases, lease expense shall be included in the lessee’s income from operations.

The Group adopted ASC 842 on a modified retrospective basis and did not restate comparative periods. The adoption of ASC 842 resulted in the recognition of right-of-use assets and related lease liabilities of approximately USD11.8 million and USD11.4 million, respectively, which were reported on the consolidated balance sheet as of January 1, 2019. The Group have elected the short-term lease exemption for all leases with a lease term of 12 months. Payments associated with short-term leases are recognized on a straight-line basis as an expense in profit or loss.

The standard also requires a lessee to recognize a single lease cost related to operating lease, calculated so that the cost of the lease is allocated over the lease term, on a generally straight-line basis. The net profit after tax had not to be materially impacted as a result of adopting the new rules.

With the adoption of ASC 842, the Group assesses, at contract inception, whether a contract is, or contains, a lease. That is, if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration. In determining the appropriate discount rate to use in calculating the present value of contractual lease payments, management regularly evaluates the lessee’s incremental borrowing rate, as the rate implicit in the lease cannot be readily determined.

See note 11 for additional disclosures on operating lease arrangements.

(p) Revenue recognition

Revenue is recognized when or as the control of the services or goods is transferred to the customer. Depending on the terms of the contract and the laws that apply to the contract, control of the services and goods may be transferred over time or at a point in time.

A contract liability is the Group’s obligation to transfer goods or services to a customer for which the Group has received consideration (or an amount of consideration is due) from the customer. Contract costs includes incremental costs of obtaining a contract and costs to fulfil a contract.

The Group generates revenues from various streams. Net revenues presented in the consolidated statements of (loss)/income represent revenues from service and product sales net off sales discount, value-added tax and related surcharges.

Xunlei Limited
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2. Summary of significant accounting policies (Continued)

(p) Revenue recognition (Continued)

(I) Subscription revenues

The Group operates a VIP membership program where VIP members can have access to high speed online acceleration services, online streaming and other access privileges. The membership fee is time-based and is collected up-front from subscribers. The terms of time-based subscriptions range from one month to twelve months, with the subscribers having the option to renew the contract. The receipt of subscription fee is initially recorded as contract liabilities. The Group satisfies its various performance obligations by providing services throughout the subscription period and revenue is recognized ratably over the period of subscription as services are rendered. Unrecognized portion beyond 12 months from balance sheet date is classified as a long-term liability. The Group evaluated the principal versus agent criteria and determined that the Group is the principal in the transaction and accordingly records revenue on a gross basis. In determining whether to report revenues gross for the amount of subscription revenue, the Group assesses whether it maintains the principal relationship with the VIP members, whether it bears the credit risk and whether it establishes prices for the end users. Service fees levied by online system and mobile payment channels (“Payment handling charges”) are recorded as the cost of revenues in the same period as the revenue for the membership fee is recognized.

(II) Advertising revenues

The Group cooperates with advertising platforms such as Guangdiantong and Baidu, of which, the advertising platforms are responsible for matching the requirements of advertisers or advertising agencies and dispatching the advertising content to Xunlei’s platforms by certain analysis systematically. As the advertising platforms are viewed as customers in these transactions, revenue is recognized monthly based on the data publicized on the platforms and pre-agreed sharing portion.

In May 2020, the Group entered into a user traffic monetization agreement with Beijing Itui Online Network Technology Co., Ltd. (“Itui Online”), a company controlled by the Company’s principal shareholder. Since May 2020, Itui Online has been handling substantially all of the Group’s advertising resources, including matching the requirements of advertisers and dispatching the advertising content to Xunlei’s platforms. Itui Online is viewed as the customer and revenue is recognized monthly based on the data publicized on the platforms and pre-agreed sharing portion.

(III) Live streaming revenues

The Group operates certain live streaming platforms where users can access the platform, view the live streaming content provided by performers, and purchase virtual gifts which they can grant to performers in the live streaming platform to show support for their favorite performers. Xunlei is the principal in the provision of the live streaming content and experience, which is considered as the performance obligation of the Group. The Group recognizes revenue from sales of virtual gifts to the viewers when the relevant virtual gifts are presented to the performers or over the duration of stated period of the time-based item. The Group does not have further obligations to the viewers after the virtual gifts are consumed immediately or after the stated period for time-based items, although the Group will continue to provide the live streaming content to the viewers in order to continue to generate sales of virtual gifts.

Xunlei Limited
Notes to the consolidated financial statements
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2. Summary of significant accounting policies (Continued)

(p) Revenue recognition (Continued)

(IV) Cloud computing and other internet value-added services

(i) Revenues from cloud computing service

On a monthly basis, the Group records the bandwidth it delivers and recognizes revenue from customers under contractual rates applied (price per GB of bandwidth multiplies total GBs of bandwidth per month).

(ii) Revenues from online games

The Group enters into a series of technical cooperation agreements with third party online game operators. Users access to the Group's platform and purchase in-game virtual items which can then be used in games provided by the third-party online game operators. The Group provides the third-party online game operators with a portal which the online game operators can host the online games. The Group charges the online game operators based on a pre-determined portion of proceeds earned from paying users pursuant to the revenue sharing arrangements for the provision of portal and payment collection service to the online game operators. The third-party online game operators are the principal in the provision of games to users and the Group provides the relevant platform to the game operators, therefore, the game operators are viewed as the customers in these transactions.

The service fees receivable from the third-party online game operators are variable, which are contingent upon future events (future cash proceeds paid by game players), and are recognized when the contingency is met provided that collectability is reasonably assured.

(q) Sales and marketing expenses

Sales and marketing expenses comprise primarily salary, benefits of sales and marketing personnel and external advertising and market promotion expenses. The external advertising and market promotion expenses from operations amounted to approximately USD20,974,000, USD11,026,000 and USD15,052,000 for the years ended December 31, 2019, 2020 and 2021, respectively.

(r) General and administrative expenses

General and administrative expenses consist primarily of salaries and benefits (including related share-based compensation), professional service fees, legal expenses and other administrative expenses.

Xunlei Limited
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2. Summary of significant accounting policies (Continued)

(s) Research and development costs

The Group incurred research and development costs to develop its downloading software, live streaming platforms and bandwidth crowdsourcing technologies to enhance the competitive advantages of the Group's key products, such as Xunlei Accelerator and cloud computing services. Costs incurred during the research phase are expensed as incurred. Costs incurred for the development of the downloading software, live streaming platforms and bandwidth crowdsourcing technologies prior to the establishment of technological feasibility, which is when a working model is available, are expensed when incurred. The development costs qualified for capitalization have been immaterial for the periods presented.

In addition, the Group incurred other research and development costs in relation to software used to support its operations. Any development costs qualified for capitalization were immaterial for the periods presented.

(t) Taxation and uncertain tax positions

Income taxes are accounted for under the asset and liability method. Deferred tax assets and liabilities are recognized for the future tax consequences attributable to differences between the financial statements' carrying amounts of existing assets and liabilities and their respective tax bases and tax loss carry forwards. Deferred tax assets and liabilities are measured using enacted tax rates in effect for the year in which the difference is expected to be recovered or settled. The effect on deferred tax assets and liabilities of a change in tax rates is recognized in the consolidated statement of operations in the period that includes the enactment date. A valuation allowance is provided to reduce the carrying amount of deferred tax assets if it is considered more likely than not that some portion, or all, of the deferred tax assets will not be realized. The estimation of future taxable income involves significant judgement and estimates. Based on management's estimated future taxable income, management concluded that it is more likely than not that the net operating losses carried forward cannot be utilized prior to their respective expiration dates. The Group adopted the ASC 740 "Income Taxes" regarding uncertain tax positions and evaluated its open tax positions that exist in each jurisdiction for each reporting period. If an uncertain tax position is taken or expected to be taken in a tax return, the tax benefit from that uncertain position is recognized in the Group's consolidated financial statements if it is more likely than not that the position is sustainable upon examination by the relevant taxing authority. The Group did not have any significant uncertain tax position and there was no effect on its financial condition or results of operations as a result of implementing the ASC 740 "Income Taxes". The Group recognizes interest and penalties accrued on any unrecognized tax benefits as a component of income tax expense, if any.

PRC Value-added Tax ("VAT")

VAT payable on goods sold or taxable labor services provided by a general VAT taxpayer for a taxable period is the net balance of the output VAT for the period after crediting the input VAT for the period. In addition to the product revenues currently subject to VAT at a rate of 13% (16% before April 1, 2019), the Group's subscription revenue, live streaming revenue, cloud computing service revenue, online advertising revenue and online games revenue are now subject to VAT at a rate of 6%.

According to the policy of the PRC State Tax Bureau, starting from April 1, 2019 to December 31, 2021 enterprises that engage in postal services, telecommunication services and consumer services are entitled to claim 110% of the input tax incurred as tax credit in determining VAT payable. The policy has been extended to December 31, 2022 by the PRC State Tax Bureau on February 18, 2022.

Xunlei Limited
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2. Summary of significant accounting policies (Continued)

(u) Retirement benefits

Full-time employees of the Company's subsidiaries, VIE and VIE's subsidiaries in the PRC participate in a government mandated multi-employer defined contribution plan pursuant to which certain pension benefits, medical care, unemployment insurance, employee housing fund and other welfare benefits are provided to employees. Chinese labor regulations require that the subsidiaries, VIE and VIE's subsidiaries of the Company make contributions to the government for these benefits based on certain percentages of the employees' salaries. The Group has no legal obligation for the benefits beyond the contributions made. The total amounts from operations for such employee benefits, which are expensed as incurred, were USD12,337,000, USD7,949,000 and USD12,411,000 for the years ended December 31, 2019, 2020 and 2021, respectively.

(v) Share-based compensation

The Group measures share-based compensation based on the stock price at the grant date. As the Group has granted restricted shares with service-only condition, the Group elected to recognize compensation costs net of estimated forfeitures on a straight-line basis over the requisite service period, which is generally the same as the vesting period. The amount of compensation cost recognized at any date is at least equal to the portion of the grant-date value of the award that is vested at that date.

(w) Government subsidies

The Group receives subsidies from the local PRC government for general use or purchase of equipment. General-use subsidies which are not subject to any conditions or specific use requirements are recorded as subsidy income in the consolidated statements of operations. Subsidies for purchase of equipment are recorded as deferred government grant when received, and are recorded as other income over the expected useful life of the assets after the related equipment has been purchased.

(x) Segment reporting

The Group's Chief Executive Officer has been identified as the chief operating decision maker, who reviews consolidated operating results of the Group when making decisions about allocating resources and assessing performance of the Group as a whole. The Group has internal reporting of revenues, costs and expenses that does not distinguish between segments, and reports costs and expenses by nature as a whole. The Group does not distinguish between markets or segments for the purpose of internal reporting. Management has determined that the Group operates and manages its business as a single segment, over 95% of revenues of the Group were derived from mainland China.

An analysis of the different types of revenues for the years ended December 31, 2019, 2020 and 2021 are summarized as follows:

Revenue from operations (In thousands)	Years ended December 31,		
	2019	2020	2021
Subscription revenue	81,532	84,299	91,174
Live streaming revenue	26,920	20,866	35,102
Advertising revenue	15,643	13,206	12,267
Product revenue (note a)	8,269	1,412	1,897
Cloud computing service and other internet value-added services (note b)	48,903	66,900	99,161
Total	181,267	186,683	239,601

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2. Summary of significant accounting policies (Continued)

(x) Segment reporting (Continued)

Notes:

- (a) Product revenue comprised sales of OneThing Cloud devices and hard disks.
- (b) Other internet value-added services mainly comprised provision of technical services.

(y) Net (loss)/income per share

Net basic (loss)/income per share is computed by dividing net (loss)/income attributable to holders of common shares by the weighted-average number of common shares outstanding during the year using the two-class method. Using the two-class method, net (loss)/income is allocated between common shares and other participating securities based on their participating rights.

Net diluted (loss)/income per share is calculated by dividing net (loss)/income attributable to common shareholders as adjusted for the effect of dilutive common equivalent shares, if any, by the weighted-average number of common and dilutive common equivalents shares outstanding during the year. Dilutive equivalent shares are excluded from the computation of diluted (loss)/income per share if their effects would be anti-dilutive. Common share equivalents are included for the unvested stock under the treasury stock method.

(z) Comprehensive income

Comprehensive income is defined as the change in equity of a Group during the period from transactions and other events and circumstances excluding transactions resulting from investments from shareholders and distributions to shareholders. Accumulated other comprehensive income, as presented on the accompanying consolidated balance sheets, consists of cumulative translation adjustments.

(aa) Profit appropriation and statutory reserves

The Group's subsidiaries, VIE and VIE's subsidiaries incorporated in the PRC are required on an annual basis to make appropriations of retained earnings set at certain percentage of after-tax profit determined in accordance with PRC accounting standards and regulations ("PRC GAAP"). Appropriation to the statutory general reserve should be at least 10% of the after-tax net income determined in accordance with the legal requirements in the PRC until the reserve is equal to 50% of the entities' registered capital. The Group is not required to make appropriation to other reserve funds and the Group does not have any intentions to make appropriations to any other reserve funds.

The general reserve fund can only be used for specific purposes, such as setting off the accumulated losses, enterprise expansion or increasing the registered capital. Appropriations to the general reserve funds are classified in the consolidated balance sheets as statutory reserves.

There are no legal requirements in the PRC to fund these reserves by transfer of cash to restricted accounts, and the Group does not do so.

(bb) Dividends

Dividends are recognized when declared. No dividends were declared for the years ended December 31, 2019, 2020 and 2021. The Group does not have any present plan to pay any dividends on common shares in the foreseeable future. The Group currently intends to retain the available funds and any future earnings to operate and expand its business.

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2. Summary of significant accounting policies (Continued)

(cc) Recent accounting pronouncements

In January 2021, the FASB issued ASU No. 2021-01, Reference rate reform (Topic 848): ASU 2021-01 is to clarify that the scope of Topic 848 so that derivatives affected by the discounting transition are explicitly eligible for certain optional expedients and exceptions in Topic 848 and that a receive-variable-rate, pay-variable-rate cross-currency interest rate swap may be considered an eligible hedging instrument in a net investment hedge if both legs of the swap do not have the same repricing intervals and dates as a result of reference rate reform. ASU 2021-01 is effective on the issuance date of January 7, 2021 through December 31, 2022.

In October 2021, the FASB issued ASU No. 2021-08, Business Combinations (Topic 805): Accounting for Contract Assets and Contract Liabilities from Contracts with Customers (ASU 2021-08), which clarifies that an acquirer of a business should recognize and measure contract assets and contract liabilities in a business combination in accordance with Topic 606, Revenue from Contracts with Customers. The new amendments are effective for fiscal years beginning after December 15, 2022, including interim periods within those fiscal years. The amendments should be applied prospectively to business combinations occurring on or after the effective date of the amendments, with early adoption permitted.

In November 2021, the FASB issued ASU No. 2021-10, Government Assistance (Topic 832): ASU 2021-10 is issuing the update to increase the transparency of government assistance including the disclosure of (1) the types of assistance, (2) an entity's accounting for the assistance, and (3) the effect of the assistance on an entity's financial statements. The amendments in this Update are effective for all entities within their scope for financial statements issued for annual periods beginning after December 15, 2021 and early application of the amendments is permitted. The Company is currently evaluating the effect of the disclosure requirements of ASU 2021-10.

The Group is currently evaluating the impact of the new guidance as stated above and does not expect that the adoption of those guidance will have a material impact on the consolidated financial statements.

3. Business combination

In September 2020, the Group entered into a share purchase agreement to acquire 100% equity interests of Shenzhen Yunwang Wulian Technology Co., Ltd. ("Yunwang Wulian"), formerly known as Shenzhen Qianhai Shanxian Daojia Technology Co., Ltd. from Weimin Luo, a director and Chief Operating Officer of the Company (see note 25), and a third party individual at nil consideration while taking up the net liabilities of Yunwang Wulian. The allocation of the purchase price at the date of acquisition is as follows:

USD (In thousands)	As of acquisition date
Property and equipment	17
Accrued liabilities and other payables	(798)
Goodwill	781
Total	—

Yunwang Wulian is a company principally operating an internet platform for daily services. The purpose of this acquisition is to acquire the skilled talents of Yunwang Wulian and goodwill arising from this acquisition is attributable to the acquired workforce. This acquisition was completed on September 30, 2020. The acquired goodwill is not deductible for tax purposes. Acquisition related costs were immaterial and were included in general and administrative expenses for the year ended December 31, 2020.

Pro forma revenue data and pro forma earnings data was not disclosed because the impact was immaterial.

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4. Cash and cash equivalents

Cash and cash equivalents represent cash on hand, cash held at bank, and time deposits placed with banks or other financial institutions, which have original maturities of three months or less. Cash on hand and cash held at bank balance as of December 31, 2020 and 2021 primarily consist of the following currencies:

(In thousands)	December 31, 2020		December 31, 2021	
	Amount	USD equivalent	Amount	USD equivalent
RMB	312,581	47,906	356,535	55,922
USD	89,050	89,050	66,650	66,650
SGD	—	—	739	547
Hong Kong Dollar	1,737	224	1,413	181
THB	2,052	68	1,709	51
Indonesian Rupiah	—	—	101,762	7
Total		137,248		123,358

As of December 31, 2020 and 2021, included in the cash and cash equivalents are time deposits with original maturities of three months or less of USD27,200,000 and USD31,050,000, respectively.

5. Short-term investments

(In thousands)	December 31, 2020	December 31, 2021
Time deposits	68,828	62,379
Investments in financial instruments (note)	48,993	53,273
Total	117,821	115,652

Note: The investments were issued by commercial banks in the PRC with a variable interest rate indexed to performance of underlying assets. Since these investments' maturity dates are within one year, they are classified as short-term investments.

Time deposits and investments in financial instruments are stated on the balance sheets at the principal amount plus accrued interest. Interest income is recorded in "Other income, net" in the consolidated statements of comprehensive (loss)/income.

6. Accounts receivable, net

(In thousands)	December 31, 2020	December 31, 2021
Accounts receivable	32,312	27,899
Less: Allowance for credit losses	(9,329)	(1,764)
Accounts receivable, net	22,983	26,135

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6. Accounts receivable, net (Continued)

The following table presents movement in the allowance for expected credit loss:

(In thousands)	December 31, 2019	December 31, 2020	December 31, 2021
Balance at beginning of the year	7,709	7,604	9,329
Additions	19	1,137	72
Reversals	—	—	(481)
Write-off	—	—	(7,375)
Exchange difference	(124)	588	219
Balance at end of the year	7,604	9,329	1,764

The top 10 customers accounted for about 65% and 86% of accounts receivable as of December 31, 2020 and 2021, respectively.

7. Inventories

(In thousands)	December 31, 2020	December 31, 2021
Hardware devices (note)	4,830	1,595
Others	324	238
Less: Impairment	(3,428)	(470)
Total	1,726	1,363

Note: Hardware devices mainly include OneThing Cloud and hard disks. OneThing Cloud is a hardware, which can act as a micro server between users and Xunlei, which enables users to share their idle uplink capacity with Xunlei.

The inventory written down was USD3,283,000 and USD429,000 for the years ended December 31, 2020 and 2021, respectively.

8. Prepayments and other assets

(In thousands)	December 31, 2020	December 31, 2021
Current portion:		
Deposit related to an ongoing litigation (note a)	4,751	4,862
Advances to suppliers (note b)	1,997	2,088
Loans to employees (note c)	1,896	1,614
Rental and other deposits	1,670	1,159
Others	1,220	2,119
Total of prepayments and other current assets	11,534	11,842
Non-current portion:		
Loans to employees, non-current portion (note c)	905	1,473
Advances to suppliers, non-current portion (note b)	—	1,314
Total of long-term prepayments and other assets	905	2,787

Notes:

- (a) The balance as of December 31, 2020 and 2021 represented the deposits placed in a custodian bank account of the court to secure an order for preservation of assets against a supplier of the Group.
- (b) Advances to suppliers primarily include prepayments to bandwidth suppliers, prepayments for the construction of Xunlei Tower and other prepaid expenses.

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8. Prepayments and other assets (Continued)

- (c) The Group had entered into loan contracts with certain employees as of December 31, 2020 and 2021, under which the Group provided interest-free loans or low-interest loans to these employees. The loan amounts vary amongst different employees from repayable on demand to repayable in equal installments on a monthly basis over a term of 5 to 10 years. The balances classified as current represented loan amounts that are repayable on demand or repayable within the next twelve months from the balance sheet date.

9. Long-term investments

(In thousands)	December 31, 2020	December 31, 2021
Equity interests without a readily determinable fair value:		
Balance at beginning of the year	26,365	26,734
Additions	—	4,627
Net unrealized gains on investments held	794	—
Exchange difference	369	134
Less: Impairment loss on long-term investments	(794)	—
Balance at end of the year	26,734	31,495

Details of the Group's ownership of the long-term investments are as follows:

Investee	Percentage of ownership of shares as of December 31,	
	2020	2021
Equity method investments:		
Zhuhai Qianyou Technology Co., Ltd. ("Zhuhai Qianyou") (note a)	19.00 %	—
Shenzhen Mojingou Information Services Co., Ltd.	28.77 %	28.77 %
Equity interests without a readily determinable fair value:		
Guangzhou Yuechuan Network Technology Co., Ltd.	9.30 %	9.30 %
Chengdu Diting Technology Co., Ltd.	12.74 %	12.74 %
Shanghai Guozhi Electronic Technology Co., Ltd.	16.80 %	16.80 %
Guangzhou Hongsi Network Technology Co., Ltd.	19.90 %	19.90 %
Xiamen Diensi Network Technology Co., Ltd.	14.25 %	14.25 %
11.2 Capital I, L.P.	2.03 %	2.03 %
Cloudtropy	9.69 %	9.69 %
Lexiang Technology Co., Ltd. (formerly named as "Shanghai Lexiang Technology Co., Ltd.") ("Lexiang") (note b)	7.81 %	6.93 %
Hangzhou Feixiang Data Technology Co., Ltd.	28.00 %	28.00 %
Shenzhen Meizhi Interactive Technology Co., Ltd.	9.40 %	9.40 %
Beijing Yunhui Tianxia Technology Co., Ltd.	13.70 %	13.70 %
Yingshi Innovation Technology Co., Ltd. (formerly named as "Shenzhen Arashi Vision Interative Technology Co., Ltd.")	8.73 %	8.73 %
Beijing Cloudin Technology Co., Ltd.	4.12 %	4.12 %
Quanxun Huiju Networking Technology (Beijing) Co., Ltd. ("Quanxun Huiju")	5.40 %	5.40 %
Blue Bayread Limited ("Blue Bayread") (note c)	—	1.63 %
Clapper Media Group Inc. ("Clapper") (note d)	—	10.00 %
Beijing Yunshang Hemei Culture Media Co., Ltd. ("Yunshang Hemei") (note e)	—	10.00 %

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9. Long-term investments (Continued)

Notes :

- (a) In May 2021, the equity interest in Zhuhai Qianyou was disposed by the Group at a consideration of USD298.
- (b) In October 2020, the Group disposed 4.82% of the equity interest in Lexiang, for which full impairment have been provided in December 2019, at a consideration of USD268,000. The remaining equity interest in Lexiang was remeasured based on this observable price change from the disposal, a fair value gain of USD794,000 was recognized accordingly.

The Group recognized impairment against this investment of USD794,000 as of December 31, 2020, after considering Shanghai Lexiang's operation performance, financial and liquidity position after the above transaction.

In September 2021, the Group's interest in Lexiang was diluted to 6.93% as additional shares were issued by Lexiang, no changes in the carrying value in Lexiang was made as the related transactions did not provide observable price changes to the Group.

- (c) In December 2021, the Group made an equity investment of USD3,000,000 to acquire 1.63% equity interest of Blue Bayread, which is a privately-held company.
- (d) In October 2021, the Group made an equity investment of USD1,000,000 to acquire 10% equity interest of Clapper, which is a privately-held company.
- (e) In December 2021, the Group made an equity investment of USD627,384 (equivalent to RMB4,000,000) to acquire 10% equity interest of Yunshang Hemei, which is a privately-held company.

10. Property and equipment, net

Property and equipment consist of the following:

<u>(In thousands)</u>	<u>December 31, 2020</u>	<u>December 31, 2021</u>
Servers and network equipment	35,827	15,522
Computer equipment	1,565	1,737
Furniture, fixtures and office equipment	836	857
Motor vehicles	481	492
Leasehold improvements	6,604	7,428
Total original costs	45,313	26,036
Less: Accumulated depreciation	(33,006)	(18,638)
Less: Accumulated impairment	(3)	(2)
Sub-total	12,304	7,396
Construction in progress	38,421	50,261
Total	50,725	57,657

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10. Property and equipment, net (Continued)

No impairment loss was recognized for the years ended December 31, 2019, 2020 and 2021.

Depreciation expense recognized for the years ended December 31, 2019, 2020 and 2021 are summarized as follows:

(In thousands)	Years ended December 31,		
	2019	2020	2021
Cost of revenues	5,198	6,247	4,805
Research and development expenses	300	529	436
General and administrative expenses	317	2,492	1,068
Sales and marketing expenses	9	9	10
Total	5,824	9,277	6,319

11. Right-of-use assets and lease liabilities

The right-of-use assets represented the leased office lease of the Group, are amortized over the lease terms, which are greater than 1 year but less than 3 years. Right-of-use assets for long-term operating leases were as below:

(In thousands)	Office leases
Net book amount as of January 1, 2020	8,747
Additions	500
Modification of operating lease	(3,825)
Amortization	(3,685)
Effect of foreign currency exchange differences	217
Net book amount as of December 31, 2020	1,954
Additions	25
Modification of operating lease	(43)
Amortization	(1,934)
Effect of foreign currency exchange differences	25
Net book amount as of December 31, 2021	27

During the years ended December 31, 2019, 2020 and 2021, the general and administrative expenses for long-term operating lease were USD6,077,000, USD3,762,000 and USD1,934,000, respectively. A charge of USD301,000, USD291,000 and USD786,000 were recognized in relation to short-term lease for the years ended December 31, 2019, 2020 and 2021. The future minimum payments under non-cancellable short-term operating leases of office rental will be USD1,322,000 in 2022. The weighted average discount rate related to operating lease was 5.5%, 5.4% and 5.4%, respectively, as of December 31, 2019, 2020 and 2021, and the weighted average remaining lease term were 2 years, 1 year and 1 year as of December 31, 2019, 2020 and 2021, respectively.

The total cash payments in respect of operating lease were USD5,149,000, USD3,797,000 and USD2,003,000 for the years ended December 31, 2019, 2020 and 2021, respectively.

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The undiscounted cash payments for each of the next five years as of December 31, 2020 is:

(In thousands)	
2021	1,998
2022	28
Total undiscounted payments	2,026
Less: effect of discounting	(38)
Discounted lease liabilities	1,988

11. Right-of-use assets and lease liabilities (Continued)

The undiscounted cash payments for each of the next five years as of December 31, 2021 is:

(In thousands)	
2022	19
2023	7
Total undiscounted payments	26
Less: effect of discounting	(1)
Discounted lease liabilities	25

12. Intangible assets, net

(In thousands)	December 31,					
	2020			2021		
	Cost	Amortization	Net book value	Cost	Amortization	Net book value
Land use rights	5,099	(1,258)	3,841	5,218	(1,461)	3,757
Acquired computer software	3,530	(2,853)	677	3,875	(3,053)	822
Audio-visual license	6,010	(1,671)	4,339	6,151	(2,431)	3,720
	14,639	(5,782)	8,857	15,244	(6,945)	8,299

Amortization expense recognized for the years ended December 31, 2019, 2020 and 2021 are summarized as follows:

(In thousands)	Years ended December 31		
	2019	2020	2021
Cost of revenues	5	—	10
General and administrative expenses	1,136	1,210	1,113
Research and development expenses	59	6	6
Total	1,200	1,216	1,129

The estimated aggregate amortization expense for each of the next five years as of December 31, 2021 is:

(In thousands)	Intangible assets
2022	1,153
2023	1,140
2024	1,071
2025	974
2026 and thereafter	3,961

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12. Intangible assets, net (Continued)

The weighted average amortization periods of intangible assets as of December 31, 2020 and 2021 are as below:

(In year)	December 31, 2020	December 31, 2021
Land use rights	30	30
Acquired computer software	5	5
Audio-visual license	9	9
Total weighted average amortization periods	10	10

13. Goodwill

(In thousands)	December 31, 2020	December 31, 2021
Beginning balance	20,382	22,607
Addition (note)	815	—
Foreign currency translation adjustment	1,410	529
Ending balance	22,607	23,136

Note: The addition of goodwill in 2020 was related to the acquisition of Yunwang Wulian, please refer to note 3 for the acquisition.

No impairment loss was recognized for the years ended December 31, 2019, 2020 and 2021.

14. Contract liabilities and deferred income

(In thousands)	December 31, 2020	December 31, 2021
Contract liabilities (note a)		
Membership subscription	31,981	35,490
Others	2,513	2,075
Deferred income		
Government grants	466	172
Total	34,960	37,737
Less: non-current portion (note b)	(920)	(845)
Contract liabilities and deferred income, current portion	34,040	36,892

Notes:

- (a) Contract liabilities were related to unsatisfied performance obligations at the end of the year. Due to the generally short-term duration of the contracts, the majority of the performance obligations are satisfied in the following period. The amount of revenue recognized that was included in contract liabilities balance at the beginning of the year was USD30,189,000 and USD32,611,000 for the years ended December 31, 2020 and 2021, respectively.
- (b) As of December 31, 2020 and 2021, the non-current portion consists of membership subscription of USD751,000 and USD845,000, and government grants of USD169,000 and nil, respectively.

15. Accrued liabilities and other payables

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(In thousands)	December 31, 2020	December 31, 2021
Payroll and welfare	12,871	18,618
Tax levies	3,394	2,397
Payables related to Kankan	2,581	2,642
Payables for advertisement	1,895	3,821
Legal and litigation related expenses (note 27)	1,640	973
Professional service fees	2,106	2,175
Agency commissions and rebates—online advertising	2,696	2,759
Payables for construction in progress	5,291	9,750
Tax surcharges	1,095	—
Others	5,120	6,422
Total	38,689	49,557

16. Bank borrowings

(In thousands)	December 31, 2020	December 31, 2021
Bank borrowings, current portion	—	2,876
Bank borrowings, non-current portion	19,924	17,291
Total	19,924	20,167

The bank borrowings were borrowed by Shenzhen Xunlei for the construction of Xunlei Tower, which was pledged by the land use rights of Xunlei Tower and the building under construction. The interest expense of USD470,000, USD890,000 and USD1,000,000 has been capitalized for the years ended December 31, 2019, 2020 and 2021, respectively.

The bank borrowings are denominated in RMB, and the interest rate is calculated based on Loan Prime Rate plus 15 basis points.

As of December 31, 2021, the bank borrowings will be due according to the following schedule:

(In thousands)	Principal amounts
Within 1 year	2,876
Between 1 to 2 years	3,207
Between 2 to 3 years	2,613
Between 3 to 4 years	2,128
Between 4 to 5 years	1,733
Beyond 5 years	7,610

17. Common shares

The Company's Memorandum and Articles of Association authorizes the Company to issue 1,000,000,000 shares of USD 0.00025 par value per common share as of December 31, 2021. Each common share is entitled to one vote. The holders of common shares are also entitled to receive dividends whenever funds are legally available and when declared by the Board of Directors, which is subject to the approval by the holders of the common shares representing a majority of the aggregate voting power of all outstanding shares. As of December 31, 2020 and 2021, there were 334,401,981 and 337,257,946 common shares outstanding, respectively.

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18. Repurchase of shares

In June 2020, the board of directors of the Company authorized a share buyback program (the “Share Buyback Program”), whereby the Company may repurchase up to USD20 million of common shares or ADSs from June 29, 2020 for twelve months on the open market at the prevailing market prices, in privately negotiated transactions, in block trades and through other legally permissible means, depending on market conditions and in accordance with applicable rules and regulations.

The following table is a summary of the shares repurchased by the Company under the Share Buyback Program. All shares were purchased from the open market pursuant to the Share Buyback Program:

<u>Period</u>	<u>Total number of ADSs purchased as part of the publicly announced plan</u>	<u>Average price paid per ADS</u>
July 8 - July 31	857,147	3.72
August 3 - August 18	334,245	3.86
Total for the year ended December 31, 2020	1,191,392	

During the year ended December 31, 2020, 1,191,392 ADSs were purchased at an aggregate consideration of USD4,475,000 under the Share Buyback Program. No shares were repurchased during the years ended December 31, 2019 and 2021.

19. Share-based compensation*2010 share incentive plan*

In December 2010, the Group adopted a share incentive plan, which is referred to as the 2010 Share Incentive Plan (the “2010 Plan”). The purpose of the plan is to attract and retain the best available personnel by linking the personal interests of the members of the board, employees, and consultants to the success of the Group’s business and by providing such individuals with an incentive for outstanding performance to generate superior returns for our shareholders. Under the 2010 Plan, the maximum number of shares in respect of which share options, restricted shares, or restricted share units may be granted is 26,822,828 shares (excluding the share options previously granted to the directors who are the founders of the Company). The number of shares available for such grants was nil as of December 31, 2021, as such shares have been transferred to the 2020 share incentive plan since its adoption in June 2020, please refer to the details below.

The maximum term of any issued share option is seven or ten years from the grant date. Share options granted to employees and officers vest over a four-year schedule as stated below:

- (1) One-fourth of the options shall be vested upon the first anniversary of the grant date;
- (2) The remaining three quarters of the options shall be vested on monthly basis over the next thirty-six months ($\frac{1}{48}$ of options shall be vested per month subsequently).

Share options granted to directors were subject to a vesting schedule of approximately 32 months.

All share-based payments to employees are measured based on their grant-date fair values. Compensation expense is recognized on a straight-line basis over the requisite service period.

In November 2014 and January 2015, the Company issued to the depositary bank of 10,000,000 common shares and 10,991,120 common shares, respectively, which were reserved for the future exercise of share options or vesting of restricted shares.

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19. Share-based compensation (Continued)*2010 share incentive plan (Continued)*

The following table summarizes the share option activities for the years ended December 31, 2019, 2020 and 2021:

	Number of share options	Weighted average exercise price (USD)	Weighted- average grant-date fair value (USD)	Weighted average remaining contractual life (years)	Aggregate intrinsic value (USD)
Outstanding, January 1, 2019	16,500	3.97	—	1.37	—
Vested and expected to vest as of January 1, 2019	16,500	3.97	1.56	1.37	—
Exercisable as of January 1, 2019	16,500	3.97	1.56	1.37	—
Expired	(6,500)	3.97			
Outstanding, December 31, 2019	10,000	3.97	—	1.16	—
Vested and expected to vest as of December 31, 2019	10,000	3.97	1.01	1.16	—
Exercisable as of December 31, 2019	10,000	3.97	1.01	1.16	—
Expired	(10,000)	3.97			
Outstanding, December 31, 2020	—	—	—	—	—
Vested and expected to vest as of December 31, 2020 and 2021	—	—	—	—	—

As of December 31, 2020 and 2021, there were no unrecognized share-based compensation costs related to share options of 2010 Plan.

As of December 31, 2021, 10,770,520 restricted shares (2020: 10,770,520), excluding those converted from share options, were granted to employees and officers under 2010 Plan and the outstanding unvested restricted shares granted to employees and officers vest as follows:

- (1) 330,000 of these restricted shares shall be vested within 2022.
- (2) 320,000 of these restricted shares shall be vested within 2023.

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19. Share-based compensation (Continued)*2010 share incentive plan (Continued)*

A summary of the restricted shares activities under the 2010 Plan for the years ended December 31, 2019, 2020 and 2021 is presented below:

	Number of restricted shares	Weighted-average grant-date fair value(USD)
Unvested as of January 1, 2019	6,652,040	
Expected to vest as of January 1, 2019	5,654,234	
Granted	800,000	0.81
Vested	(1,296,540)	
Forfeited	(971,000)	
Unvested as of December 31, 2019	5,184,500	
Expected to vest as of December 31, 2019	4,406,825	
Vested	(965,500)	
Forfeited	(2,959,000)	
Unvested as of December 31, 2020	1,260,000	
Expected to vest at December 31, 2020	1,071,000	
Vested	(400,000)	
Forfeited	(210,000)	
Unvested as of December 31, 2021	650,000	
Expected to vest as of December 31, 2021	552,500	

Based upon the Company's historical and expected forfeitures for stock options granted, the directors of the Company estimated that its future forfeiture rate would be 15% for employees and nil for directors and advisors.

As of December 31, 2020 and 2021, total unrecognized compensation expense relating to the restricted shares was USD2,000,000 and USD1,031,340, respectively.

2013 share incentive plan

In November 2013, the Group adopted a share incentive plan, which is referred to as the 2013 Share Incentive Plan (the "2013 Plan"). The purpose of the plan is to motivate, attract and retain the best available personnel by linking the personal interests of senior officers to the success of the Group's business. Under the 2013 Plan, the maximum number of restricted shares that may be granted is 9,073,732 shares. The number of shares available for such grants was nil as of December 31, 2021, as such shares have been transferred to the 2020 share incentive plan since its adoption in June 2020, please refer to the details below.

The vesting schedule of the restricted shares under the 2013 Plan are determined by the directors of the Company.

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19. Share-based compensation (Continued)

2013 share incentive plan (Continued)

A summary of the restricted shares activities under the 2013 Plan for the years ended December 31, 2019, 2020 and 2021 is presented below:

	Number of restricted shares
Unvested as of January 1, 2019	34,175
Vested	(27,475)
Forfeited	(6,700)
Unvested as of December 31, 2019	—
Expected to vest as of December 31, 2019	—

As of December 31, 2020 and 2021, total unrecognized compensation expense relating to the restricted shares was both nil.

2014 share incentive plan

In April 2014, the Group adopted a share incentive plan, which is referred to as the 2014 Share Incentive Plan (“the 2014 Plan”). The purpose of the plan is to motivate, attract and retain the best available personnel by linking the personal interests of senior management to the success of the Group’s business. Under the 2014 Plan, the maximum number of restricted shares that may be granted is 14,195,412 shares to certain officers, directors or employees of, or advisors or consultants to the Company and its subsidiaries and VIE and VIE’s subsidiaries. The Company issued 14,195,412 common shares to Leading Advice Holdings Limited, a company owned by the co-founder, to facilitate the administration of the 2014 Plan. The number of shares available for such grants was nil as of December 31, 2021, as such shares have been transferred to the 2020 share incentive plan since its adoption in June 2020, please refer to the details below.

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19. Share-based compensation (Continued)*2014 share incentive plan (Continued)*

A summary of the restricted shares activities under the 2014 Plan for the years ended December 31, 2019, 2020 and 2021 is presented below:

	Number of restricted shares
Unvested as of January 1, 2019	3,476,650
Vested	(1,318,450)
Forfeited	(837,000)
Unvested as of December 31, 2019	1,321,200
Expected to vest as of December 31, 2019	1,123,020
Unvested as of January 1, 2020	1,321,200
Vested	(228,200)
Forfeited	(1,067,000)
Unvested as of December 31, 2020	26,000
Expected to vest as of December 31, 2020	22,100
Unvested as of January 1, 2021	26,000
Vested	(26,000)
Unvested as of December 31, 2021	—
Expected to vest as of December 31, 2021	—

As of December 31, 2021, the total unrecognized compensation expense relating to the restricted shares was nil (2020: USD12,000).

2020 share incentive plan

In June 2020, the Group terminated its 2010 Plan, 2013 Plan and 2014 Plan (the “Existing Plans”) and adopted a 2020 share incentive plan, which is referred to as the 2020 Share Incentive Plan (the “2020 Plan”). Under the 2020 Plan, the maximum aggregate number of shares of the Company that may be granted is 31,000,000, among which 21,039,742 common shares reserved under the Existing Plans and had not been granted as of the termination of the Existing Plans, 9,667,230 common shares repurchased pursuant to the repurchase programs authorized by the Company in December 2014 and January 2016, and 293,028 common shares reserved for issuance under the 2020 Plan. The number of shares available for such grants as of December 31, 2021 is 2,685,660.

Upon termination of the Existing Plans, the awards that are granted and outstanding under the Existing Plans remain effective under the 2020 Plan, subject to any amendment and modification to the original award agreements that the Company shall determine.

As of December 31, 2021, the restricted shares units granted to employees and officers (excluding those forfeited) vest as follows:

- (1) 15,059,340 of these restricted shares will vest over a two-year schedule in which one-second of the restricted shares shall be vested upon the first and second anniversary of the grant day, respectively.
- (2) 90,000 of these restricted shares will vest over a three-year schedule in which one-third of the restricted shares shall be vested upon the first, second and third anniversary of the grant day, respectively. Among which, 30,000 shares were vested in an accelerated manner in December 2021.

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19. Share-based compensation (Continued)

2020 share incentive plan (Continued)

- (3) 12,665,000 of these restricted shares will vest over a three-year schedule in which two-third of the restricted shares shall be vested upon the second anniversary and one-third of the restricted shares shall be vested upon the third anniversary of the grant day, respectively. Among which, 2,299,965 shares were vested in an accelerated manner in December 2021.
- (4) 500,000 of these restricted shares will vest over a five-year schedule in which one-fifth of the restricted shares shall be vested upon the first, second, third, fourth and fifth anniversary of the grant day, respectively. Among which, 100,000 shares were vested in an accelerated manner in December 2021.

A summary of the restricted shares activities under the 2020 Plan for the year ended December 31, 2021 is presented below:

	Number of restricted shares	Weighted-average grant-date fair value (USD)
Unvested as of January 1, 2021	—	
Granted	31,091,840	0.83
Vested	(2,429,965)	
Forfeited	(2,777,500)	
Unvested as of December 31, 2021	25,884,375	
Expected to vest as of December 31, 2021	19,413,281	

Based upon the Company's historical and expected forfeitures for restricted share units granted, the directors of the Company estimated that its future forfeiture rate would be 25% for employees and directors.

As of December 31, 2021, the total unrecognized compensation expense relating to the restricted shares was USD18,147,328 (2020: nil).

Total compensation costs recognized for the years ended December 31, 2019, 2020 and 2021 are as follows:

(In thousands)	Years ended December 31,		
	2019	2020	2021
Sales and marketing expenses	381	185	59
General and administrative expenses	2,453	1,209	4,682
Research and development expenses	2,594	916	1,429
Total	5,428	2,310	6,170

20. Non-controlling interests

Non-controlling interests are recognized to reflect the portion of the equity of majority-owned subsidiaries and VIE's which is not attributable, directly or indirectly, to the controlling shareholder. The non-controlling interests in the Company's consolidated financial statements consist primarily of the non-controlling interests in Xunlei Games, Thailand Onething, Henan Tourism and Shanghai Anunachi Information Technology Co., Ltd.

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21. Costs of revenues

(In thousands)	Years ended December 31,		
	2019	2020	2021
Bandwidth costs	57,093	62,384	80,720
Cost of inventories sold	7,181	1,660	1,516
Revenue-sharing from live streaming business	20,734	15,640	26,506
Depreciation of servers and other equipment	5,198	6,247	4,805
Payment handling charges	1,658	1,459	3,066
Other costs (note)	8,049	5,247	1,990
Total	99,913	92,637	118,603

Note: Other costs mainly included technical service costs and write-down of inventories.

22. Other income, net

(In thousands)	Years ended December 31,		
	2019	2020	2021
Government subsidy income	2,061	2,287	3,206
Investment income from short-term investments	4,020	2,943	2,486
Net unrealized gains arising from long-term investments	10,907	794	—
Investment income on disposal of long-term investments	579	214	42
Impairment of long-term investments	(19,831)	(794)	—
Exchange loss, net	(402)	(2,948)	(1,205)
Settlement income	1,531	—	—
Gains from disposal of LinkToken program	6,630	—	—
VAT deduction	427	1,361	818
Others	(61)	880	(669)
Total	5,861	4,737	4,678

23. Taxation**(i) Cayman Islands**

Under the current laws of the Cayman Islands, the Company is not subject to tax on income or capital gains. Additionally, upon payment of dividends by the Company to its shareholders, no Cayman Islands withholding tax will be imposed.

(ii) British Virgin Islands (“BVI”)

Subsidiaries in the BVI are exempted from income tax on its foreign-derived income in the BVI. There are no withholding taxes in the BVI.

(iii) Hong Kong

Subsidiaries in Hong Kong are subject to 16.5% income tax on their taxable income generated from operations in Hong Kong.

(iv) Singapore

Subsidiaries incorporated in Singapore were subject to 17% of their taxable income.

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23. Taxation (Continued)

(v) PRC Enterprise Income Tax (“EIT”)

The EIT is calculated based on the taxable income determined under the PRC laws and accounting standards.

Under the EIT Law, foreign invested enterprises and domestic enterprises are subject to a unified EIT rate of 25%. In accordance with the implementation rules of the EIT Law, a qualified “High and New Technology Enterprise” (“HNTE”) is eligible for a preferential tax rate of 15%, a “Software Enterprise” (“SE”) is entitled exemption from income taxation for the first two years, counting from the first profitable year, and reduction by half for the next three years, and a certified National Key Software Enterprise (“NKSE”) is entitled a preferential tax rate of 10%.

Shenzhen Xunlei, Onething, Wangwenhua and Xunlei Computer have been recognized as HNTE and entitled to preferential tax rate of 15% for the years ended December 31, 2019, 2020 and 2021. In addition, Onething was established in Qianhai Shenzhen Hongkong Modern Service Industry Cooperation Zone and met the requirements set out by the local authorities, accordingly it’s also entitled to a preferential tax rate of 15% for years ended December 31, 2019, 2020 and 2021.

In July 2020, Jiangxi Node was qualified for a preferential tax rate of 15% and started to apply this rate from then on. The preferential tax rate is awarded to companies which are located in the West Regions of China and operate in certain encouraged industries. This qualification will need to be assessed on an annual basis. For the years ended December 31, 2020 and 2021, the tax rate assessed for Jiangxi Node was 15% and 15%, respectively.

Certain subsidiaries of the Group in the PRC have been granted certain tax concessions to small scale entities by tax authorities in the PRC whereby the subsidiaries operating in the respective region are entitled to tax concessions, the remaining PRC subsidiaries and VIE’s subsidiaries are subject to a 25% EIT rate.

According to a policy of the PRC State Tax Bureau, enterprises that engage in research and development activities are entitled to claim 175% of the research and development expenses incurred in a year as tax deductible expenses in determining their tax assessable profits for that year (“Super Deduction”).

In addition, according to the EIT Law and its implementation rules, foreign enterprises, which have no establishment or place in the PRC but derive dividends, interest, rents, royalties and other income (including capital gains) from sources in the PRC are subject to PRC withholding tax, or WHT, at 10% (a further reduced WHT rate may be available according to the applicable double tax treaty or arrangement). The 10% WHT is generally applicable to any dividends to be distributed from Giganology Shenzhen and Xunlei Computer to the Company out of any profits of Giganology Shenzhen and Xunlei Computer derived after January 1, 2008. Up to December 31, 2021, both Giganology Shenzhen and Xunlei Computer did not declare any dividend to the parent company and have determined that they have no present plan to declare and pay any dividends. The Group currently plans to continue to reinvest its subsidiaries’ undistributed earnings, if any, in its operations in China indefinitely. Accordingly, no withholding income tax was accrued or required to be accrued for the years ended December 31, 2019, 2020 and 2021.

Moreover, the current EIT Law treats enterprises established outside of China with “effective management and control” located in the PRC as PRC resident enterprises for tax purposes. The term “effective management and control” is generally defined as exercising overall management and control over the business, personnel, accounting, properties, etc. of an enterprise. The Company, if considered a PRC resident enterprise for tax purposes, would be subject to the PRC EIT at the rate of 25% on its worldwide income for the period after January 1, 2008. As of December 31, 2020 and 2021, the Company has not accrued for PRC tax on such basis. The Company will continue to monitor its tax status.

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23. Taxation (Continued)

The current and deferred portions of income tax expense included in the consolidated statements of operations are as follows:

(In thousands)	Years ended December 31,		
	2019	2020	2021
Current income tax expenses	315	183	53
Deferred income tax expenses/(benefits)	4,361	966	(178)
Income tax expenses/(benefits)	4,676	1,149	(125)

The aggregate amount and per share effect of the tax holidays and concession are as follows:

	Years ended December 31,		
	2019	2020	2021
Aggregate dollar effect (in thousands)	(3,856)	197	4,100
Per share effect—basic	(0.01)	(0.00)	0.01
Per share effect—diluted	(0.01)	(0.00)	0.01

The reconciliation of total tax expenses/(benefits) computed by applying the respective statutory income tax rates to pre-tax loss is as follows:

(In thousands)	Years ended December 31,		
	2019	2020	2021
Income tax (benefits)/expenses at PRC statutory rate (based on statutory tax rate applicable to enterprises in China)	(11,886)	(3,736)	246
Effects of differences in tax rates in different jurisdictions applicable to entities of the Group outside of the PRC	788	787	2,571
Non-deductible expenses	228	101	47
Effect of Super Deduction	(1,920)	(733)	(2,262)
Effect of tax holidays and tax concessions	3,856	(197)	(4,100)
Change in valuation allowance of deferred tax assets	13,180	4,704	3,507
Expiration of tax loss	400	84	—
Others	30	139	(134)
Income tax expenses/(benefits)	4,676	1,149	(125)

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23. Taxation (Continued)

The tax effects of temporary differences that give rise to the deferred tax assets and liabilities balances of December 31, 2020 and 2021 are as follows:

(In thousands)	December 31, 2020	December 31, 2021
Deferred tax assets:		
Net operating losses carried forward (note a)	32,458	39,188
Impairment of long-term equity investments	4,233	4,245
Impairment of other receivables	1,858	1,536
Impairment of accounts receivable	1,451	402
Impairment of inventories	540	70
Allowance for advances to suppliers	369	137
Impairment of property and equipment	15	2
Valuation allowance	(40,924)	(45,580)
Deferred tax assets, net (note b)	—	—
Deferred tax liabilities:		
Deferred credit arising from an asset acquisition	(1,085)	(930)

Notes:

(a) As of December 31, 2021, the accumulated net operating loss of USD5,875,000 of the Group's subsidiaries incorporated in Hong Kong can be carried forward indefinitely to offset future taxable income, the remaining accumulated net operating loss of USD221,906,000 mainly arose from the Company's subsidiaries, VIE and VIE's subsidiaries established in the PRC, which can be carried forward to offset future taxable income and will expire during the period from 2022 to 2030.

(b) As of December 31, 2020 and 2021, the deferred tax liabilities balances are expected to be recoverable as follows:

Deferred tax liabilities

(In thousands)	2020	2021
Within one year	176	180
After one year	909	750
	1,085	930

Movement of valuation allowance is as follows:

(In thousands)	Years ended December 31,		
	2019	2020	2021
Beginning balance	20,181	34,257	40,924
Additions	13,180	4,704	3,507
Exchange difference	896	1,963	1,149
Ending balance	34,257	40,924	45,580

For the years ended December 31, 2019, 2020 and 2021, valuation allowance was provided for net operating loss carryforwards certain subsidiaries, VIE and VIE's subsidiaries because it was more likely than not that such deferred tax assets will not be realized based on the Group's estimate of future taxable income of those companies.

As of December 31, 2021, the tax returns of the Group's subsidiaries, VIE and VIE's subsidiaries since their respective dates of incorporation are still open to examination.

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24. Basic and diluted net (loss)/income per share

Basic and diluted net (loss)/income per share for the years ended December 31, 2019, 2020 and 2021 are calculated as follows:

(Amounts expressed in thousands of USD, except for number of shares and per share data)	Years ended December 31,		
	2019	2020	2021
Numerator:			
Net (loss)/income	(53,415)	(14,140)	1,108
Less: Net loss attributable to the non-controlling interest	(246)	(300)	(83)
Net (loss)/income attributable to Xunlei Limited's common shareholders	(53,169)	(13,840)	1,191
Numerator of basic net (loss)/income per share	(53,169)	(13,840)	1,191
Numerator for diluted net (loss)/income per share	(53,169)	(13,840)	1,191
Denominator:			
Denominator for basic net (loss)/income per share - weighted average shares outstanding	337,845,675	337,429,601	334,707,559
Denominator for diluted net (loss)/income per share	337,845,675	337,429,601	335,969,780
Basic net(loss)/ income per share	(0.1574)	(0.0410)	0.0036
Diluted net (loss)/income per share	(0.1574)	(0.0410)	0.0035

All potentially dilutive securities were not included in the calculation of dilutive net (loss)/income per share for the years ended December 31, 2019 and 2020 as their effects would be anti-dilutive.

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25. Related party transactions

The table below sets forth the related parties and their relationships with the Group:

Related party	Relationship with the Group
Chuan wang	Chairman and director of the Company (note i)
Shenglong Zou	Co-founder, director and shareholder of the Company
Weimin Luo	Director and Chief Operating Officer of the Company (note i)
Shenzhen Crystal Technology Co., Ltd. (“Shenzhen Crystal”)	Company owned by a co-founder and director of the Company
Vantage Point Global Limited	Shareholder of the Company
Aiden & Jasmine Limited	Shareholder of the Company
Millet Technology Co., Ltd. (“Xiaomi Technology”)	(note ii)
Millet Communication Technology Co., Ltd. (“Millet Communication Technology”)	(note ii)
Beijing Xiaomi Mobile Software Co., Ltd. (“Beijing Xiaomi Mobile Software”)	(note ii)
Beijing Millet Payment Technologies Co., Ltd. (“Beijing Millet Payment Technologies”)	(note ii)
Guangzhou Millet Information Service Co., Ltd. (“Guangzhou Millet”)	(note ii)
Shenzhen Xiaomi Technology Co., Ltd. (“Shenzhen Xiaomi”)	(note ii)
Beijing Itui Technology Co., Ltd. (“Beijing Itui”)	Company owned by the principal shareholder of the Company (note iii)
Itui Online	Company owned by the principal shareholder of the Company (note iii)
Chizz (HK) Limited (“Chizz”)	Company owned by the principal shareholder of the Company (note iii)

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25. Related party transactions (Continued)

Notes:

- (i) Chuan Wang has resigned from the board on April 2, 2020, and Weimin Luo resigned from the board and resigned as the Chief Operating Officer on May 19, 2021 and June 1, 2021, respectively.
- (ii) Prior to April 2, 2020, these companies were related companies to the Company as they were affiliated companies of a shareholder of the Company, Xiaomi Ventures Limited (“Xiaomi Ventures”).

On April 2, 2020, Xiaomi Ventures ceased to be the shareholder of the Company as Xiaomi Ventures together with certain shareholders of the Company exchanged their common shares of the Company for the shares of Itui International Inc. (“Itui”). In addition, Xiaomi Ventures entitled to certain veto rights in determining Itui’s voting on the Company. As a result, Xiaomi Ventures and the companies controlled by Xiaomi Ventures continued to be related parties of the Company.

- (iii) These companies become related parties of Xunlei since April 2, 2020 when Itui became the principal shareholder of the Company.

During the years ended December 31, 2019, 2020 and 2021, significant related party transactions were as follows:

(In thousands)	Years ended December 31,		
	2019	2020	2021
Bandwidth revenue from Beijing Xiaomi Mobile Software (note a)	1,815	—	—
Bandwidth revenue from Xiaomi Technology (note a)	875	2,211	2,798
Advertisement revenue from Guangzhou Millet	19	—	—
Bandwidth revenue from Beijing Itui (note b)	—	1,119	821
Advertisement revenue from Itui Online (note c)	—	7,269	11,648
Advertisement revenue from Shenzhen Xiaomi (note d)	—	53	380
Technology service revenue from Guangzhou Millet (note e)	2,460	2,466	1,245
Technology service revenue from Shenzhen Xiaomi (note e)	—	—	1,392
Interest income from Chizz	—	—	176
Bandwidth cost from Quanxun Huiju (note f)	—	594	730
Forum service fees paid and payable to Xiaomi Technology	13	—	—
Interest accrued to Vantage Point Global Limited (note g)	46	243	—
Interest accrued to Aiden & Jasmine Limited (note g)	17	91	55
Repayment of loans to Weimin Luo arising from a business combination (note 3)	—	662	—

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25. Related party transactions (Continued)

Notes:

- (a) From July 2017 to July 2019, Onething entered into a contract with Beijing Xiaomi Mobile Software for the provision of bandwidth to Beijing Xiaomi Mobile Software at a price benchmarking against market price, based on actual usage.

From August 2019 till now, Onething entered into the contract with Xiaomi Technology for the provision of bandwidth to Xiaomi Technology at a price benchmarking against market price, based on actual usage.

- (b) Onething entered into a sales contract with Beijing Itui for provision of bandwidth at a price benchmarking against market price and charged based on actual usage since July 2019. The contract was extended for one year from July 2021 to June 2022 based on the same term.
- (c) In May 2020, a user traffic monetization agreement was entered into with Itui Online, according to which Xunlei is entitled to receive a mutually agreed sharing of net advertising revenue covering a period from mid-May 2020 to mid-May 2021. The contract was extended for one year from mid-May 2021 to mid-May 2022 based on the same term.
- (d) In July 2020, a user traffic monetization agreement was entered into with Shenzhen Xiaomi, according to which Xunlei is entitled to receive a mutually agreed sharing of net advertising revenue.
- (e) The Group is entitled to receive a mutually agreed sharing of net advertising revenue covering a period from mid-June 2017 to mid-June 2019, as compensation for technology solution services provided to Guangzhou Millet. The contract was extended for two years from mid-June 2019 to mid-June 2021. A similar contract was entered into with Shenzhen Xiaomi in July 2021, covering a period of two years.
- (f) In July 2020, Onething entered into the contract with Quanax Huiju, for the provision of bandwidth to Onething at a price benchmarking against market price, based on actual usage. The contract was extended for one year from July 2021 to June 2022 based on the same term.
- (g) In 2014, the Group repurchased 3,860,733 common shares from Aiden & Jasmine Limited (Co founder's company) for USD10,879,000 and 10,334,679 common shares from Vantage Point Global Limited for USD29,121,000. According to the repurchase contract, the Company was entitled to an amount (the "Withheld Price") to withhold any taxes with respect to this repurchase as required under the applicable laws. If the Seller has not been specifically required by the applicable governmental or regulatory authority to pay any taxes as required under the applicable laws in connection with the repurchase, after the fifth anniversary of the Closing Date, the Company will pay to the Seller the Withheld Price with a simple interest thereon at the rate of five percent (5%) per annum from the Closing Date. Therefore, the Withheld Price for Aiden & Jasmine Limited and Vantage Point Global Limited was USD1,451,000 (including interest of USD363,000) and USD3,883,000 (including interest of USD971,000) respectively. The Group has repaid USD3,883,000 to Vantage Point Global Limited in January 2021.

The interest accrued for the year ended December 31, 2021 was USD55,000 for Aiden & Jasmine Limited.

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25. Related party transactions (Continued)

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

<u>(In thousands)</u>	<u>December 31, 2020</u>	<u>December 31, 2021</u>
Amounts due from related parties - current		
Accounts receivable due from Guangzhou Millet	1,456	—
Accounts receivable due from Xiaomi Technology	576	831
Accounts receivable due from Itui Online	7,689	12,156
Accounts receivable due from Beijing Itui	1,153	857
Accounts receivable due from Shenzhen Xiaomi	60	1,520
Other receivable due from Chizz (note)	—	176
Other receivable due from Xiaomi Technology	15	16
Other receivable due from Shenzhen Crystal	6	7
Other receivable due from Shenglong Zou	9	9
Other receivable due from Chuan Wang	6	6
Amounts due from a related party - non-current		
Other receivable due from Chizz	—	19,311

Note: In September 2021, Xunlei Network provided a loan amounted to USD20 million to Chizz at an interest rate of 3% per annum for a term of 2 years.

<u>(In thousands)</u>	<u>December 31, 2020</u>	<u>December 31, 2021</u>
Amounts due to related parties		
Accounts payable due to Quanxun Huiju	55	91
Other payable due to Vantage Point Global Limited	3,883	—
Other payable due to Aiden & Jasmine Limited	1,451	1,506

26. Fair value measurements

ASC 820-10 establishes a three-tier fair value hierarchy, which prioritizes the inputs used in measuring fair value as follows:

- Level 1 — Observable inputs that reflect quoted prices (unadjusted) for identical assets or liabilities in active markets
- Level 2 — Include other inputs that are directly or indirectly observable in the marketplace or based on quoted price in markets that are not active
- Level 3 — Unobservable inputs which are supported by little or no market activity and are significant to the overall fair value measurement

ASC 820-10 describes three main approaches to measuring the fair value of assets and liabilities: (1) market approach; (2) income approach and (3) cost approach. The market approach uses prices and other relevant information generated from market transactions involving identical or comparable assets or liabilities. The income approach uses valuation techniques to convert future amounts to a single present value amount. The measurement is based on the value indicated by current market expectations about those future amounts. The cost approach is based on the amount that would currently be required to replace an asset.

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26. Fair value measurements (Continued)

The following table sets forth the financial instruments, measured at fair value, by level within the fair value hierarchy as of December 31, 2020 and 2021.

(In thousands)	Fair value measurements as of December 31, 2020			
	Total	Quoted prices in active market for identical assets (Level 1)	Significant other observable inputs (Level 2)	Significant unobservable inputs (Level 3)
Short-term investments:				
Investments in structured deposits and wealth management products	48,993	—	48,993	—
	48,993	—	48,993	—

(In thousands)	Fair value measurements as of December 31, 2021			
	Total	Quoted prices in active market for identical assets (Level 1)	Significant other observable inputs (Level 2)	Significant unobservable inputs (Level 3)
Short-term investments:				
Investments in structured deposits and wealth management products	53,273	—	53,273	—
	53,273	—	53,273	—

Investments in privately held companies for which the Company elected to record using the measurement alternative are re-measured on a non-recurring basis, and are categorized within Level 3 under the fair value hierarchy. The values are estimated based on valuation methods using the observable transaction price at the transaction date and other unobservable inputs including volatility, as well as rights and obligations of the securities.

27. Commitments and contingencies

Bandwidth purchase commitments

The Group purchase bandwidth in the PRC under non-cancellable contract expiring on different dates. Payments under purchase of bandwidth are expensed on a straight-line basis over the duration of the respective periods.

As of December 31, 2021, future minimum payments under non-cancellable bandwidth contracts consist of the following:

(In thousands)	December 31, 2021
2022	4,410

Capital commitments

As of December 31, 2021, the Group has unconditional purchase obligations for office software and construction in progress that had not been recognized in the amount of USD18,291,000.

(In thousands)	December 31, 2021
2022	17,993
2023 and after	298
	18,291

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27. Commitments and contingencies (Continued)

Litigation

The Group is involved in a number of cases pending in various courts. These cases are substantially related to alleged copyright infringement as well as routine and incidental matters to its business, among others. Adverse results in these lawsuits may include awards of damages and may also result in, or even compel, a change in the Group's business practices, which could impact the Group's future financial results. The Group had incurred USD1,955,000 and USD997,000 legal and litigation related expenses for the years ended December 31, 2019 and 2021, respectively, while the Group reversed USD1,217,000 legal and litigation related expense for the year ended December 31, 2020.

Up to April 28, 2022, which is the date when the consolidated financial statements were issued, the Group had 17 lawsuits pending against the Group with an aggregate amount of claimed damages of approximately RMB10.9 million (USD1.7 million) which occurred before December 31, 2021 (2020: RMB13.3 million (USD1.9 million)). Of the 17 pending lawsuits, 9 lawsuits were relating to the alleged copyright infringement in the PRC. The Group had accrued for USD973,000 litigation related expenses in "Accrued liabilities and other payables" in the consolidated balance sheet as of December 31, 2021 (2020: USD1,640,000), which is the most probable and reasonably estimable outcome.

The Group estimated the litigation compensation based on judgments handed down by the court, out-of-court settlements of similar cases as well as advices from the Group's legal counsels. The Group is in the process of appealing certain judgments for which the losses had been accrued. Although the results of unsettled litigation and claims cannot be predicted with certainty, the Group does not expect that the outcome of the 17 lawsuits will result in the amounts accrued materially different from the range of reasonably possible losses. In the opinion of management, there was not at least a reasonable possibility the Company may have incurred a material loss, or a material loss in excess of recorded accrual, with respect to loss contingencies for asserted legal and other claims. However, the outcome of litigation is inherently uncertain. If one or more of these legal matters were resolved against the Company in a reporting period for amounts in excess of management's expectations, the Company's consolidated financial statements for that reporting period could be materially adversely affected.

Two putative shareholder class action lawsuits were filed in the United States District Courts for the Southern District of New York against the Company and certain current and former officers and directors of the Company. Purporting to sue on behalf of all investors who purchased or acquired Xunlei stock from October 10, 2017 to January 11, 2018, plaintiffs alleged that certain statements regarding OneCoin, later renamed as LinkToken, in the Company's press releases and on a quarterly investor call were false and misleading because, among other things, they failed to disclose that OneCoin was a disguised "initial coin offering" and "initial miner offering" and constituted "unlawful financial activity." Plaintiffs sought to recover under Sections 10(b) and 20(a) of the U.S. Securities Exchange Act of 1934 and Rule 10b-5 thereunder. On April 12, 2018, the court consolidated the actions under the caption *In re Xunlei Limited Securities Litigation*, No. 18-cv-467 (RJS) and appointed lead plaintiffs who filed a consolidated amended complaint on June 4, 2018. The Company filed a motion to dismiss the amended complaint on August 3, 2018, and the motion of dismissal was granted by United States District Court Southern District of New York on September 11, 2019 and no notice of appeal or motion for extension of time was filed by the plaintiffs within 60 days after entry of the court's motion, therefore the class action was dismissed in November 2019.

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28. Certain risks and concentration

PRC regulations

Current PRC laws and regulations place certain restrictions on foreign ownership of companies that engage in internet businesses, including the provision of online advertising services and live streaming service. Specifically, foreign ownership in an internet content provider or other value-added telecommunication service providers may not exceed 50%. The Group conducts its operations in China principally through contractual arrangements among Giganology Shenzhen, its wholly-owned PRC subsidiary, and Shenzhen Xunlei and its shareholders. Shenzhen Xunlei holds the licenses and permits necessary to conduct its resource discovery network, online advertising, online games and related businesses in China and hold various operating subsidiaries that conduct a majority of its operations in China. The Company conducts all of its operations in China through, Shenzhen Xunlei, a variable interest entity, which it consolidates as a result of a series of contractual arrangements entered. If the Company had ownership of Shenzhen Xunlei, it would be able to exercise its rights as a shareholder to effect changes in the board of directors of Shenzhen Xunlei, which in turn could effect changes at the management level, subject to any applicable fiduciary obligations. However, under the current contractual arrangements, it relies on Shenzhen Xunlei and its shareholders' performance of their contractual obligations to exercise effective control. In addition, its operating contract with Shenzhen Xunlei has a term of ten years, which is subject to Giganology Shenzhen's unilateral termination right. None of Shenzhen Xunlei or its shareholders may terminate the contracts prior to the expiration date.

Further, the Group believes that the contractual arrangements among Giganology Shenzhen, Shenzhen Xunlei and its shareholders are in compliance with PRC law and are legally enforceable. However, the Chinese government may issue from time to time new laws or new interpretations on existing laws to regulate this industry. Regulatory risk also encompasses the interpretation by the tax authorities of current tax laws, and the Group's legal structure and scope of operations in the PRC, which could be subject to further restrictions resulting in limitations on the Company's ability to conduct business in the PRC. The PRC government may also require the Company to restructure the Group's operations entirely if it finds that its contractual arrangements do not comply with applicable laws and regulations. Furthermore, it could revoke the Group's business and operating licenses, require it to discontinue or restrict its operations, restrict its right to collect revenues, block its website, require it to restructure its operations, impose additional conditions or requirements with which the Group may not be able to comply, or take other regulatory or enforcement actions against the Group that could be harmful to its business. The imposition of any of these penalties may result in a material and adverse effect on the Group's ability to conduct the Group's business. In addition, if the imposition of any of these penalties causes the Group to lose the rights to direct the activities of the VIE and VIE's subsidiaries or the right to receive their economic benefits, the Group would no longer be able to consolidate the VIE. The Group does not believe that any penalties imposed or actions taken by the PRC Government would result in the liquidation of the Company, Giganology Shenzhen or Shenzhen Xunlei.

As stated above, Shenzhen Xunlei holds assets that are important to the operation of the Group's business, including patents for proprietary technology, related domain names and trademarks. If Shenzhen Xunlei or its subsidiaries falls into bankruptcy and all or part of its assets become subject to liens or rights of third-party creditors, the Group may be unable to conduct its business activities in China, which could have a material adverse effect on the Group's future financial position, results of operations or cash flows. However, the Group believes this is a normal business risk many companies face. The Group will continue to closely monitor the financial conditions of Shenzhen Xunlei and its subsidiaries.

Shenzhen Xunlei and its subsidiaries' assets comprise both recognized and unrecognized revenue-producing assets. The recognized revenue-producing assets include intangible assets, purchased property and equipment. The balances of these assets held by the VIE and VIE's subsidiaries are included in "property and equipment, net" and "intangible assets, net" in the consolidated balance sheet and specifically in the VIE table on the following page. The unrecognized revenue-producing assets mainly consist of license, patents, trademarks, and domain names which are not recorded in the financial statement as they did not meet the recognition criteria set in ASC 350-30-25. The licenses stated above primarily consist of licenses that grant the VIE and VIE's subsidiaries the right to produce and broadcast internet, radio, and television programs. One of them is the ICP licenses as described in note 1.

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28. Certain risks and concentration (Continued)

PRC regulations (Continued)

As of December 31, 2021, Shenzhen Xunlei and its subsidiaries held patents granted in the PRC and in the United States. Presently, certain patent applications are being examined by the State Intellectual Property Office of the PRC.

As of December 31, 2021, Shenzhen Xunlei and its subsidiaries have applied to register trademarks, of which the Company has received registered trademarks in different applicable trademark categories, including registered with World Intellectual Property Organization.

The following financial information of the consolidated VIE (including VIE and VIE's subsidiaries) was included in the accompanying consolidated financial statements, before elimination of balances with the Company and its subsidiaries, as of and for the years ended:

(In thousands)	As of December 31,	
	2020	2021
Current assets:		
Cash and cash equivalents	14,284	16,645
Short-term investments	—	6,373
Accounts receivable, net	22,983	26,003
Amount due from group companies	15,168	3,102
Due from related parties	10,955	15,387
Inventories	1,726	1,363
Prepayments and other current assets	10,046	7,142
Total current assets	75,162	76,015
Non-current assets:		
Long-term investments	5,706	6,467
Property and equipment, net	50,532	57,417
Intangible assets, net	8,857	8,299
Goodwill	22,607	23,136
Long-term prepayments and other assets	905	2,684
Right-of-use assets	1,915	27
Restricted cash	1,541	4,078
Total assets	167,225	178,123
Current liabilities:		
Accounts payable	20,588	23,789
Amount due to group companies	106,240	146,732
Due to related parties	55	91
Bank borrowings	—	2,876
Contract liabilities and deferred income	34,040	36,740
Income tax payable	2,500	2,451
Accrued liabilities and other payables	33,361	42,449
Lease liabilities, current portion	1,912	18
Total current liabilities	198,696	255,146
Non-current liabilities:		
Contract liabilities and deferred income, non-current portion	920	845
Deferred tax liabilities	1,085	930
Amount due to group companies, non-current portion	76,810	31,369
Bank borrowings, non-current portion	19,924	17,291
Lease liabilities, non-current portion	27	7
Total liabilities	297,462	305,588

28. Certain risks and concentration (Continued)

PRC regulations (Continued)

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(In thousands)	Years ended December 31,		
	2019	2020	2021
Third-party revenues	178,070	186,679	228,736
Third-party costs of revenues	(99,781)	(92,388)	(109,722)
Inter-company operating expenses	(7,302)	(7,177)	(8,032)
Third-party operating expenses	(117,714)	(101,421)	(110,367)
Net (loss)/income attributable to Xunlei Limited	<u>(56,328)</u>	<u>(10,673)</u>	<u>2,913</u>

(In thousands)	Years ended December 31,		
	2019	2020	2021
Purchases of goods and services from group companies	(11,941)	—	—
Other operating activities with external parties	(21,720)	(13,423)	24,945
Net cash (used in)/generated from operating activities	(33,661)	(13,423)	24,945
Loans to group companies	(3,369)	(6,329)	—
Repayment of loans from group companies	485	502	—
Other investing activities with external parties	(5,001)	(9,160)	(19,417)
Net cash used in investing activities	(7,885)	(14,987)	(19,417)
Loans from group companies	31,467	2,542	23,527
Repayment of loans to group companies	(10,969)	(4,300)	(24,425)
Other financing activities with external parties	11,707	7,154	(223)
Net cash generated from/(used in) financing activities	32,205	5,396	(1,121)
	<u>(9,341)</u>	<u>(23,014)</u>	<u>4,407</u>

Amounts previously reported for 2020 and 2019 have been revised, which the revisions, in the opinion of management, are immaterial. The impact of the revisions was eliminated in consolidation. There is no impact on the previously reported consolidated financial position, results of operations or cash flows.

Certain long-term cash advances were provided to the consolidated VIE by group companies and previously reported in current payables in 2020. The amount due to group companies of the Group's consolidated VIE as of December 31, 2020 have been revised to reflect an adjustment with a decrease of USD76.8 million in current payables and an increase of USD76.8 million in non-current payables.

Certain cash advances provided to group companies by the consolidated VIE or vice versa, which were of investing or financing nature, were previously reported as operating activities in 2019 and 2020. The amounts of cash flow activities of the Group's consolidated VIE have been revised to reflect an adjustment with an increase of USD17.6 million and a decrease of USD7.6 million in the net cash used in operating activities, an increase of USD2.9 million and USD5.8 million in the net cash used in investing activities and an increase of USD20.5 million and a decrease of USD1.8 million in the net cash generated from financing activities for the year ended December 31, 2019 and 2020, respectively.

Xunlei Limited
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28. Certain risks and concentration (Continued)

Foreign exchange risk

The Group's financing activities are denominated mainly in USD. The RMB is not freely convertible into foreign currencies. Remittances of foreign currencies into the PRC and exchange of foreign currencies into the RMB require approval by foreign exchange administrative authorities and certain supporting documentation. The State Administration for Foreign Exchange, under the authority of the People's Bank of China, controls the conversion of RMB into other currencies. The revenues and expenses of the Company's subsidiaries, VIE and VIE's subsidiaries are generally denominated in RMB and their assets and liabilities are denominated in RMB.

Concentration of customer risk

The top 10 customers accounted for 31%, 38% and 35% of the net revenues for the years ended December 31, 2019, 2020 and 2021, respectively.

Credit risk

As of December 31, 2020 and 2021, substantially all of the Group's cash and cash equivalents, restricted cash and short-term investments were held at reputable financial institutions in the jurisdictions where the Group and its subsidiaries are located. The Group believes that it is not exposed to unusual risks as these financial institutions have high credit quality. The Group has not experienced any losses on its deposits of cash and cash equivalents, restricted cash and short-term investments.

Prior to entering into sales agreements, the Group performs ongoing credit assessments of its customers, taking into account their financial position, credit history and other factors such as current market conditions. Further, the Group has not experienced any significant bad debts with respect to its accounts receivable for the years ended December 31, 2020 and 2021.

The Group is exposed to credit risk in relation to other assets comprised of due from related parties and other receivables, which are typically unsecured. In evaluating the collectability of the balances, the Group considered various factors, including the related parties and third parties' repayment history and their credit-worthiness. An allowance for credit losses is made when collection of the full amount is no longer probable.

Restricted net assets

Relevant PRC laws and regulations permit payments of dividends by the Company's subsidiaries, VIE and VIE's subsidiaries in China only out of their retained earnings, if any, as determined in accordance with PRC accounting standards and regulations. In addition, the Company's subsidiaries, VIE and VIE's subsidiaries in China are required to make certain appropriation of net after-tax profits or increase in net assets to the statutory surplus fund (see note 2(aa)) prior to payment of any dividends. As a result of these and other restrictions under PRC laws and regulations, the Company's subsidiaries, VIE and VIE's subsidiaries in China are restricted in their ability to transfer their net assets to the Company in terms of cash dividends, loans or advances, which restricted portion amounted to USD169,235,000 as of December 31, 2021, or 56% of the Company's total consolidated net assets. Even though the Company currently does not require any such dividends, loans or advances from the PRC subsidiaries, VIE and VIE's subsidiaries for working capital and other funding purposes, the Company may in the future require additional cash resources from the Company's subsidiaries, VIE and VIE's subsidiaries in China due to changes in business conditions, to fund future acquisitions and development, or merely to declare and pay dividends to make distributions to shareholders.

Xunlei Limited
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28. Certain risks and concentration (Continued)

Restricted net assets (Continued)

Furthermore, cash transfers from the Company's PRC subsidiaries to their parent companies outside of China are subject to PRC government control of currency conversion. Shortages in the availability of foreign currency at the time of requesting such conversion may temporarily delay the ability of the PRC subsidiaries, VIE and VIE's subsidiaries to remit sufficient foreign currency to pay dividends or other payments to the Company, or otherwise satisfy their foreign currency denominated obligations.

29. Subsequent events

On March 31, 2022, the board of directors of the Company authorized a share buyback program, under which the Company may repurchase up to USD20 million of its shares over the next 12 months.

30. Additional information: condensed financial statements of the Company

Regulation S-X requires condensed financial information as to financial position, statements of cash flows and results of operations of a parent company as of the same dates and for the same periods for which audited consolidated financial statements have been presented when the restricted net assets of consolidated and unconsolidated subsidiaries together exceed 25 percent of consolidated net assets as of the end of the most recently completed fiscal year.

The Company records its investment in its subsidiaries, VIE and VIE's subsidiaries under the equity method of accounting.

Such investments are presented on the separate condensed balance sheets of the Company as "Investments in subsidiaries and consolidated VIE".

The subsidiaries did not pay any dividends to the Company for the periods presented. Certain information and footnote disclosures generally included in financial statements prepared in accordance with U.S. GAAP have been condensed and omitted. The footnote disclosures represent supplemental information relating to the operations of the Company, as such, these statements should be read in conjunction with the notes to the consolidated financial statements of the Group.

Xunlei Limited
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30. Additional information: condensed financial statements of the Company (Continued)

The Company did not have significant other commitments, long-term obligations, or guarantees as of December 31, 2021.

(In thousands)	December 31, 2020	December 31, 2021
Condensed Balance Sheets		
Assets		
Current assets:		
Cash and cash equivalents	57,585	32,015
Short-term investments	47,525	40,972
Due from group companies	3,323	107,484
Prepayments and other current assets	860	183
Total current assets	109,293	180,654
Non-current assets:		
Due from group companies, non-current portion	175,720	92,917
Investments in subsidiaries and consolidated VIE	20,064	36,324
Total assets	305,077	309,895
Liabilities		
Current liabilities:		
Accounts payable	55	55
Due to subsidiaries and consolidated VIE	10,750	2,546
Due to related parties	—	1,506
Contract liabilities and deferred income	1	—
Accrued liabilities and other payables	2,118	2,141
Total current liabilities	12,924	6,248
Total liabilities	12,924	6,248
Commitments and contingencies		
Shareholders' equity		
Common shares	84	84
Treasury shares (34,475,224 shares and 31,619,259 shares as of December 31, 2020 and 2021, respectively)	8	8
Other shareholders' equity	292,061	303,555
Total Xunlei Limited's shareholders' equity	292,153	303,647
Total liabilities and shareholders' equity	305,077	309,895

Xunlei Limited
Notes to the consolidated financial statements
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30. Additional information: condensed financial statements of the Company (Continued)

Condensed Statements of Operations

(In thousands)	Years ended December 31,		
	2019	2020	2021
Operating expenses			
Sales and marketing expenses	(1)	—	—
General and administrative expenses	(1,247)	(1,438)	(3,302)
Total operating expenses	(1,248)	(1,438)	(3,302)
Operating loss	(1,248)	(1,438)	(3,302)
Interest income	1,496	2	107
Interest expense	(75)	(399)	(95)
Other income, net	4,712	2,455	585
(Loss)/income from subsidiaries and consolidated VIE	(57,787)	(14,361)	3,935
(Loss)/income before income tax	(52,902)	(13,741)	1,230
Income tax expenses	(267)	(99)	(39)
Net (loss)/income	(53,169)	(13,840)	1,191
Net (loss)/income attributable to Xunlei Limited's common shareholders	(53,169)	(13,840)	1,191

Condensed Statements of Cash Flows

(In thousands)	Years ended December 31,		
	2019	2020	2021
Other operating activities with external parties	3,854	649	(5,732)
Net cash generated from/(used in) operating activities	3,854	649	(5,732)
Capital contribution to group companies	(100,000)	—	—
Loans to group companies	(25,750)	(1,802)	(26,391)
Repayment of loans from group companies	2,459	500	—
Other investing activities with external parties	79,339	55,030	6,553
Net cash (used in)/generated from investing activities	(43,952)	53,728	(19,838)
Other financing activities with external parties	—	(4,475)	—
Net cash used in financing activities	—	(4,475)	—
Net (decrease)/increase in cash and cash equivalents	(40,098)	49,902	(25,570)
Cash and cash equivalents at beginning of year	47,781	7,683	57,585
Effect of exchange rates on cash and cash equivalents	—	—	—
Cash and cash equivalents at end of year	7,683	57,585	32,015

Amounts previously reported for 2020 and 2019 have been revised, which revisions, in the opinion of management, are immaterial. The impact of the revisions was eliminated in consolidation. There is no impact on the previously reported consolidated financial position, results of operations or cash flows.

The Company provided certain long-term cash advances to its subsidiaries and consolidated VIE which were previously reported as due from group companies under current receivables. The current portion of due from group companies, the non-current portion of due from group companies and investments in subsidiaries and consolidated VIE of the Company have been revised to reflect an adjustment with a decrease of USD275.7 million, an increase of USD175.7 million and USD100.0 million as of December 31, 2020, respectively.

Xunlei Limited
Notes to the consolidated financial statements
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30. Additional information: condensed financial statements of the Company (Continued)

The cash advances provided to group companies, which were of investing nature, were previously reported as operating activities. The short-term investments at beginning of year were previously reported as cash and cash equivalents at beginning of year and the purchases and maturities of short-term investments were previously excluded from investing activities, and the amount of movements in investments in subsidiaries and consolidated VIE was previously reported as investing activities in 2019 and 2020. To properly reflect the condensed statements of cash flows, the amounts of cash flow activities of the Company have been revised to reflect an adjustment with an increase of USD175.7 million and USD13.4 million in the net cash generated from operating activities, an increase of USD96.3 million and a decrease of USD41.7 million in the net cash used in investing activities, and a decrease of USD181.9 million and USD102.6 million in the cash and cash equivalents at beginning of year for the year ended December 31, 2019 and 2020, respectively.

Important Notice:

Dear customer, to protect your rights and interests, please read this Agreement carefully before signing, especially the terms in boldface. In case of any doubt, please promptly ask for our clarification. If you still have questions or doubts, please consult your attorney and relevant professionals.

Credit Agreement

(Applicable to working capital loan not requiring a separate loan contract)

No.: 755XY2021040155

Credit Provider: China Merchants Bank Shenzhen Branch (hereinafter "Party A")

Credit Applicant: Shenzhen Xunlei Networking Technologies Co., Ltd. (hereinafter "Party B")

Upon Party B's application, Party A hereby agrees to provide a credit line for Party B. Now therefore, in accordance with applicable laws and regulations, Party A and Party B (hereinafter "the Parties"), through adequate negotiation, hereby make and enter into this Credit Agreement (hereinafter "this Agreement"), subject to the following terms and conditions.

1. Credit Line

1.1 Under this Agreement, Party A will extend a credit line of One Hundred Million RMB (including other currencies of equivalent value converted at the exchange rate published by Party A at the time when a specific transaction actually occurs, same below) (including revolving credit line and/or one-time credit line) (hereinafter "the Credit Line").

If there is an outstanding balance of any credit services under the previous Credit Agreement (No.: 755XY2020027317) (insert the name of the agreement here) between Party A (or its affiliate) and Party B, it shall be automatically included under this Agreement and directly occupy the Credit Line under this Agreement.

1.2 The Credit Extending Period is 12 months from November 25, 2021 to November 24, 2022. **If Party B needs to use the Credit Line to handle the specific credit services, Party B shall submit an application for the utilization of the Credit Line to Party A within this period, and Party A shall not accept Party B's application for the utilization of the credit limit beyond the expiry date of the Credit Extending Period, except as otherwise stipulated in this Agreement.**

1.3 Credit products and services offered under the Credit Line include without limitation one or more credit products or services of: loan/order loan, trade financing, bills discount, commercial bills acceptance, commercial acceptance bills confirmation/ reimbursement, international/domestic guarantee, customs payment guarantee, legal-person account overdraft, derivative transaction, gold lease, etc. (hereinafter "Credit Services").

"Trade financing" includes without limitation such service types as international/domestic letter of credit, import bill advance, delivery guarantee, advance against import documentary collection, packing finance, export bill advance, export negotiation, advance against export documentary collection, import/export remittance financing, credit insurance financing, factoring, commercial paper guarantee, etc.

1.4 Revolving credit line is the maximum balance sum of principals of one or more foregoing Credit Services offered by Party A to Party B during the Credit Extending Period, which can be used by Party B on a continuous and revolving basis.

One-time credit line is the one-time credit line approved by Party A which the cumulative amount of all foregoing Credit Products offered by Party A to Party B cannot exceed. Party B shall not the one-time credit line on a revolving basis, and the corresponding amounts of several credit services utilized by Party B shall occupy the one-time credit line until the cumulative amount is used up.

2. Credit Line Occupation Arrangements

2.1 The specific credit services applied by Party B and approved by Party A during the Credit Extending Period shall be automatically included under this Agreement and occupy the Credit Line under this Agreement.

2.2 If Party A provides import factoring with Party B as the payer (accounts receivable debtor), the accounts receivable debt against Party B acquired by Party A under the service will occupy the foregoing Credit Line; if Party B applies for the provision of domestic seller factoring or export factoring service from Party A with Party B as payee (accounts receivable creditor), the payment made by Party A with its own funds or other funds of lawful sources to Party B for acquisition/purchase payment of accounts receivable debt held by Party B will occupy the foregoing Credit Line.

2.3 If Party A entrusts other branches of China Merchants Bank to issue back-to-back letter of credit to the beneficiary according to its internal procedures after issuing the letter of credit, such letters of credit and documentary credits and delivery guarantees arising thereunder will occupy amounts of the Credit Line.

Under the import letter of credit service, if any subsequent import bill advance is made under the same letter of credit, the letter of credit and import bill advance will occupy the same amount of the Credit Line at different stage. That is to say, when an import bill advance is made, amount recovered after payment by the letter of credit will be reused to make import bill advance, and will be deemed to occupy the same amount as the original import letter of credit.

3. Approval and Utilization of Credit Line

3.1 The type of Credit Line hereunder (revolving credit line or one-time credit line) and applicable types of Credit Services, credit amounts extended for different types of Credit Services, whether different types of Credit Services can be swapped, and specific conditions for utilizing the Credit Line are subject to approval of Party A. If Party A makes any adjustment to its original approval according to Party B's application during the Credit Extending Period, any subsequent approvals issued by Party A will constitute supplements and modifications to the original approval, and so on.

3.2 Party B shall apply for utilization of the Credit Line one by one by submitting the required documentation to Party A, and the credit service shall be carried out on a case-by-case basis only upon approval. Party A shall have the right to decide whether to approve each application based on its internal management requirements, Party B's operation status and other relevant conditions, and may reject Party B's application at its sole discretion without assuming any legal liability to Party B. Where there is any inconsistency between this provision with any other provisions hereof, this provision shall prevail.

3.3 When a specific credit service is carried out upon approval of Party A, the specific texts signed by Party A and Party B on the specific credit service (including but not limited to single-transaction agreement/application, framework agreement, or specific business contract) shall constitute an integral part of the *Credit Agreement*. **The amount, interest rate, term, purpose, fee and other transaction elements of each loan or other credit services will be subject to separate service agreements, transaction vouchers (including but not limited to drawdown application, certificate of indebtedness (if any)) confirmed by Party A and the transaction records in Party A's system.** The interest rate

hereunder shall be calculated by simple interest, unless otherwise specified by separate service agreements, transaction vouchers (including without limitation certificate of indebtedness) confirmed by Party A and the transaction records in Party A's system.

If Party B applies for a working capital loan within the credit line, Party A and Party B shall not sign the *Loan Contract* separately. Party B shall submit an application for each drawdown, and Party A shall review and approve the same one by one.

3.4 Party A shall have the right to regularly or irregularly adjust the benchmark interest rate or interest rate pricing method for loan/other credit services under this Agreement in line with changes in relevant national policies, domestic and overseas market conditions, or its credit policy. Such adjustment shall take effect after Party A notifies Party B (by announcement published at Party A's banking outlet or on the official website of China Merchants Bank, or notice served to Party B at any contact address/method reserved in this Agreement;) if Party B does not accept the adjustment, it shall make early repayment, otherwise it shall be deemed to be acceptance of such adjustment.

Where there is any inconsistency between this provision with any other provisions hereof, this provision shall prevail.

3.5 Duration of each loan or other credits within the scope of the Credit Line shall be determined according to Party B's business need and Party A's business management rules; the expiration date of each specific service may be later than that of the Credit Extending Period (unless otherwise required by Party A).

3.6 During the Credit Extending Period, Party A shall have the right to assess Party B's operating and financial status on an annual basis, and adjust the usable credit line of Party B based on the assessment result.

4. Interest Rate on Working Capital Loan

4.1 The interest rate of any loan hereunder shall be specified by Party B in the corresponding drawdown application and determined upon approval by Party A. If the drawdown application is inconsistent with the certificate of indebtedness (if any) for the loan or the relevant records in Party A's system, the certificate of indebtedness (if any) or the relevant records in Party A's system shall prevail.

4.2 If Party B fails to utilize any loan as agreed herein, Party B will be charged a penalty interest with regard to the portion not used for the agreed purpose, from the date of such failure, at the original interest rate plus 100%. The original interest rate shall refer to the interest rate applicable prior to the use of the loan for the purpose not agreed upon.

If Party B fails to repay the loan on time, it will be charged overdue interest (penalty interest) at the original interest rate plus 50% (overdue loan interest rate) with regard to the overdue portion from the date of becoming overdue. The original interest rate shall refer to the interest rate applicable before the maturity date of the loan (including early maturity date), or prior to the last floating period before the maturity date (including early maturity date) in case of a floating interest rate.

If the overdue loan is used for the purpose not agreed upon, the higher interest rate as set forth above shall be used to calculate the interest.

4.3 During the loan period, any adjustment to the loan interest rate made by the People's Bank of China shall be observed.

4.4 If the loan maturity date is a public holiday, it shall be extended automatically to the first business day after the

holiday. And the interest shall be calculated based on the number of days that the loan proceeds have been actually used.

4.5 Party B shall pay the interest on each interest date, and Party A may debit the interest payable directly from any account of Party B with China Merchants Bank. If the last repayment date of loan principal is not an interest date, the last repayment date shall become an interest payment date, and the Borrower shall pay up the interest payable on the loan principal on that date. If Party B fails to pay any interest on time, compound interest at overdue interest rate set forth in this provision shall be imposed in respect of the unpaid interest (including penalty interest).

5. Guarantee Clause

5.1 For any debts owed by Party B to Party A under this Agreement, Party B or a third party recognized by Party A shall provide collateral (pledge) guarantee or joint guarantee, and Party B or the third party as guarantor shall issue or sign a separate guarantee agreement as required by Party A.

5.2 Party A shall have the right to refuse to provide credit facility to Party B if the guarantor fails to sign the guarantee agreement and complete the guarantee provision procedures in accordance with the provisions of this Article (including the case that the accounts receivable debtor raises an objection to the accounts receivable before pledge).

5.3 When the mortgagor provides real estate mortgage as security for Party B's debts to Party A hereunder, if Party B is aware that the mortgaged assets are already or likely to be included in the government's demolition and expropriation plan, it shall inform Party A promptly and urge the mortgagor to renew security for Party B's debts with the compensation offered by the demolition party and go through corresponding security procedures as per provisions of the mortgage contract, or provide other security measures acceptable to Party as per Party A's requirements.

6. Rights and Obligations of Party B

6.1 Party B shall have the rights to:

6.1.1 Require Party A to provide loans or other credits within the scope of the Credit Line in accordance with the terms and conditions hereof;

6.1.2 Make use of the Credit Line in accordance with the terms and conditions hereof;

6.1.3 Require Party A to maintain confidentiality for information provided by Party B regarding Party B's production, operation, properties, accounts and other aspects, unless otherwise required by this Agreement;

6.1.4 Transfer its debts to a third party with Party A's written consent.

6.2 Party B shall be obligated to:

6.2.1 Provide authentic documents required by Party A (including but not limited to, on the frequency required by Party A, provide authentic financial books/statements and annual financial reports, important decisions and changes in production, operation and management, money drawdown/utilization information, information on collateral, etc.), information on Party B's financing from other financial institutions and non-financial institutions (including the financing that Party B has obtained and is applying for at the time of execution of this Agreement), and information regarding all banks of deposit, account numbers and deposit & loan balances; ensure the authenticity, accuracy and integrity of all the document provided, and cooperate with Party A's investigation, review and inspection;

6.2.2 Accept Party A's inspection on its utilization of credit facility proceeds and related production, operation and financial activities;

6.2.3 Make use of the loans and/or other credits in accordance with provisions of this Agreement and separate agreements and/or the committed purposes;

6.2.4 Repay on time principals, interests and fees of loans, advances and other credits in accordance with provisions of this Agreement and separate agreements;

6.2.5 Obtain Party A's written consent before transferring debts hereunder to any third party in whole or in part;

6.2.6 Inform Party A promptly and actively coordinate with Party A in arranging for measures to secure repayment of principals, interests and fees of all loans, advances and other credits hereunder under any condition as follows:

6.2.6.1 Material financial loss, loss of assets or other financial crisis has occurred;

6.2.6.2 Party B provides a loan or guarantee for the benefit or protection of a third party against loss, or provides mortgage (pledge) with its own property (right);

6.2.6.3 Suspension of business, revocation or deregistration of business license, filing or being filed for bankruptcy or dissolution, etc.; or change in key enterprise information, such as enterprise name, registered address, business address, and beneficial owner; Any change occurs to the Borrower's controlling shareholder/de facto controller; or Party B's legal representative/principal person-in-charge, director or key senior manager is changed, or is punished/restricted by the competent State authority for violating the law, discipline, etc., or goes missing for more than seven days, which may affect its normal operations;

6.2.6.4 Its controlling shareholder or other related company and de facto controller suffers a significant operating or financial crisis, which affects its normal operations; or **its controlling shareholder/de facto controller abuses the independent legal person status or the limited liability of shareholder, evades debt, suspends operation, goes out of business, gets business license revoked, files or is filed for bankruptcy or dissolution, is punished by competent authority, commits a crime, or is involved in a significant legal dispute; or its legal representative or legal representative/principal person-in-charge, director or key senior manager of its controlling shareholder or other related company and de facto controller, is changed, or is punished/restricted by the competent State authority of for violating the law, discipline, etc., or goes missing for more than seven days, which may affect its normal operations.**

6.2.6.5 The amount of the related party transaction with its controlling shareholder and/or other related companies or de facto controller reaches more than 10% of the net assets of Party B (Party B's notice shall at least cover the relationship between the Parties to the transaction, the transaction item and nature, the transaction amount or the corresponding proportion, pricing policy (including transaction with no amount or only symbolic amount), etc.);

6.2.6.6 Any litigation, arbitration or criminal/administrative penalty has been brought by or against it, causing material negative effect on its operation or financial status;

6.2.6.7 Party B or its de facto controller is burdened with a large amount of lending with usurious interest rate; or has bad records such as re-extension, delinquency and interest payment default in other financial institutions; or Party B's related enterprise suffers a debt crisis due to disruption of capital chain; or Party B's project is halted or suspended or involves a significant investment mistake;

6.2.6.8 Any other significant matter occurs that may affect the solvency of Party B and/or its controlling shareholder/de facto controller.

6.2.7 Party B shall not be slack in managing or claiming its mature debts or dispose of its existing major properties without compensation or by other improper means.

6.2.8 Party B must obtain Party A's prior written consent before engaging in consolidation (merger), separation, restructuring, equity joint venture (cooperative joint venture), transfer of property rights or equity, reforming its shareholding system, overseas investment, increasing debt financing, etc.

6.2.9 In the case of dynamic pledge of accounts receivable, Party B shall guarantee that the credit balance at any time point during the Credit Extending Period is lower than 70% of the balance of the pledged accounts receivable, otherwise, it must provide new accounts receivable acceptable to Party A as pledge or margin (the margin account number is account number deposit automatically generated or recorded by Party A's system at the time of deposit of the margin, the same as below), until the balance of the pledged accounts receivable $\times 70\% + \text{valid bond} > \text{credit balance}$.

6.2.10 In the case of bond pledge, if fluctuation in exchange rate results in the balance of the bond account being lower than 95% of the amount of the corresponding credit service, Party B shall have the obligation to provide additional amount of bond or other guarantee as required by Party A.

6.2.11 Party B shall guarantee that payments for goods under import shall be collected into the account designated by Party A; under export negotiation, shall transfer bills and/or documents under the letter of credit to Party A.

6.2.12 Party B shall guarantee that settlement, payment and other receipt and payment activities are primarily carried out in its bank settlement account with Party A. During the Credit Extending Period, Party B's share of settlement transactions in the designated account shall be, at a minimum, Party B's share of Party A's financing in all banks.

7. Rights and Obligations of Party A

7.1 Party A shall have the following rights to:

7.1.1 Require Party B to fully repay on time principals and interests of all loans, advances and credit debts under this Agreement and separate agreements;

7.1.2 Require Party B to provide documents and information related to its utilization of the Credit Line;

7.1.3 Ask for information about Party B's production, operation and financial activities;

7.1.4 Supervise that Party B is utilizing loans and/or other credits for the purposes agreed upon in this Agreement and separate agreements; **when it is required by its business, unilaterally suspend or restrict the corporate online banking/corporate APP/other online function of Party B's account (including but not limited to closing online banking/corporate APP/other online function, presetting list of payees/single payment limit/phase payment limit, and other restrictions) and other electronic payment channels, restrict sale of settlement vouchers, or restrict payment or transfer at the counter, telephone banking, mobile banking and other non-counter payment and exchange functions of Party B's account;**

7.1.5 Authorize other branches of China Merchants Bank in the place where the beneficiary is located to issue letter of credit to the beneficiary according to its internal procedures.

7.1.6 Debit amounts from any account of Party B at any outlet of China Merchants Bank for repayment of Party B's debts under this Agreement and separate agreements (if credit debts are not denominated in RMB, to purchase or trade foreign exchange from Party B's any account at the exchange rate published by Party A at the time of debiting to repay principals, interests and fees of the credit debts);

7.1.7 Transfer its claims against Party B, and inform Party B about the transfer and collect from Party B by appropriate means at its sole discretion, including but not limited to fax, mailing, personal service, **announcement on the public media, etc.;**

7.1.8 Monitor and entrust other China Merchants Bank outlets to monitor Party B's accounts, and control payment of loan proceeds according to the loan purposes and payment scope agreed by the Parties;

7.1.9 Where Party A is aware that Party B falls under any of the circumstances stipulated in Article 6.2.6 herein, Party A shall have the right to require Party B to arrange for measures to secure repayment of the principal and interest on all loans under this Agreement and all associated costs as per the requirements of Party A, and Party A shall also have the right to directly take one or more remedial measures against the default specified in the clause herein with the heading "Breach Events and Treatment".

7.1.10 Other rights provided hereunder.

7.2 Party A shall be obligated to:

7.2.1 Extend loans or other credits to Party B within the scope of the Credit Line according to the conditions provided under this Agreement and separate agreements;

7.2.2 Maintain confidentiality for the status of Party B's assets, finance, production and operation, unless otherwise required by laws and regulations or by the regulatory authority, or unless it is provided to Party A's superior or subordinate institutions or external auditors, accountants or lawyers carrying the same confidentiality obligation.

8. Party B hereby makes the following guarantees:

8.1 Party B is an entity with legal-person qualification lawfully established and existing under the laws of the People's Republic of China, its procedures for registration and annual reports publication are true, lawful and valid, and it has full capacity for civil conduct to sign and perform this Agreement;

8.2 Party B has obtained full authorization from its board of directors or any other authorities to sign and perform this Agreement;

8.3 Documents, data, certificates and other information provided by Party B regarding Party B, the Guarantor, mortgagors/pledgors and mortgaged/pledged assets are authentic, accurate, complete and valid, and do not contain material error or omission of any material fact that is inconsistent with the facts;

8.4 Party B shall strictly observe provisions of all separate transaction agreements and all letters and documents that it issues to Party A;

8.5 No litigation, arbitration or criminal/administrative penalty that may have material adverse consequences on Party B or its main property has taken place at the time of signing this Agreement and no such litigation, arbitration or criminal/administrative penalty will take place during the execution of this Agreement. In case any such condition occurs, Party B shall immediately notify Party A;

8.6 Party B shall strictly abide by national laws and regulations in its business activities, carry out various businesses in strict accordance with the business scope stipulated in its business license or approved according to the law, and perform the procedures for enterprise (legal person) registration, annual reporting and business term renewal/extension on time;

8.7 Party B shall maintain or improve the current operation and management level, ensure the maintenance and appreciation of its existing assets, do not give up any mature debt claims, and do not dispose of existing main properties

without compensation or by other inappropriate ways;

8.8 Without permission of Party A, Party B shall not repay other long-term debts in advance.

8.9 The loans applied under the credit shall comply with the requirements of laws and regulations, and the loans shall not be used illegally for investment in fixed assets, equity, etc., for the speculation and sale of securities, futures and real estates, for mutual borrowing to obtain illegal income, for the production or operation sectors and purposes prohibited by the State, or for the purposes other than those specified herein and separate transaction agreements.

If the loan proceeds are paid independently by the Borrower, Party B shall report the payment status to Party A regularly (at least monthly). Party A shall have the right to check whether the payment is in line with the agreed purpose through account analysis, voucher verification, site investigation, etc.

8.10 At the time of signing and performing this Agreement, Party B has not had any other major events affecting the performance of its obligations hereunder.

9. Special Provisions on Working Capital Loan

9.1 Drawdown and Use of Loan

The working capital loan hereunder may be used by Party B through independent payment or entrusted payment.

9.1.1 Independent Payment

Independent payment means that Party B pays the loan proceeds independently to its transaction counterparties for the agreed purpose after Party A disburses the loan amount to Party B's account upon receipt of Party B's drawdown application.

9.1.2 Entrusted Payment

Entrusted payment means that Party A pays the loan proceeds via Party B's account to any transaction counterparties of Party B for the agreed purpose based on Party B's drawdown application and payment entrustment. For the loan proceeds paid through entrusted payment, Party B shall grant Party A the authority to make payments via Party B's account to any transaction counterparties of Party B on the loan disbursement date (or a business day following loan disbursement).

9.1.3 In any of the following circumstances, Party B shall adopt the method of full-amount entrusted payment unconditionally:

9.1.3.1 A single drawdown by Party B exceeds RMB Ten Million (inclusive, or equivalent foreign currency);

9.1.3.2 Party A requires Party B to adopt the method of entrusted payment as required by regulatory authority or risk control.

9.1.4 In case of entrusted payment, the disbursed loan proceeds shall be paid with Party A's approval, and Party B shall not circumvent Party A's supervision through online banking, inverted promissory notes, breaking up the total amount into parts, etc.

9.2. At the time of drawdown, Party B shall submit an application as required by Party A (which shall be affixed with Party B's official seal or Party B's specimen seal at Party A if submitted offline; with a digital certificate or other signatures accepted by Party A if submitted online), certificate of indebtedness (if any) and documents required by Party A according to the specific requirements for independent payment or entrusted payment. Otherwise, Party A shall have the right to reject Party B's drawdown request. Party A shall not be liable for Party B's breach of contract or other losses caused by Party B to its transaction counterparties due to any delay or failure **in payment arising from provision of**

inaccurate and incomplete payment information by Party B.

9.3 Loan Extension

If Party B requests a loan extension because of its failure to make repayment of any loan hereunder on time, it shall submit a written application to Party A one month before the expiration of the relevant loan. If Party A grants an extension, Party A and Party B shall sign a separate extension agreement. If Party A refuses to grant an extension, the loan already used by Party B and the interest payable thereon shall still be repaid pursuant to this Agreement and corresponding certificate of indebtedness or the records in Party A's system.

10. Breach Events and Treatment

10.1 Party B shall be deemed to have breached this Agreement under any of the following circumstances:

10.1.1 It fails to perform or breaches any of the obligations set forth herein;

10.1.2 It makes any special warranty hereunder that is inauthentic or incomplete, or breaches the special warranty and fails to make rectification as required by Party A;

10.1.3 Party B fails to draw or use the loan as agreed herein, repay the loan principal and interest or expenses in full and on time as required herein, use the funds in the collection account as per Party A's requirements, or accept Party A's supervision, without immediate rectification upon request by Party A;

10.1.4 It makes any material breach event related to any lawful and valid contract signed by Party B with any other creditor and such breach is not satisfactorily resolved within three months following the date of breach.

The aforementioned material breach event refers to such breach of Party B that results in its creditor's entitlement to claim from Party B an indemnity of CNY One Million or more.

10.1.5 If Party B is an enterprise listed or applying for listing on the National Equities Exchange and Quotations ("NEEQ"), it experiences significant obstructions or withdraws the application for listing; it is given with warning letters, ordered to make corrections, restricted in the trading of its securities account, or imposed with other self-disciplinary measures by NEEQ, for more than 3 times; or it is subject to disciplinary actions, or its listing is terminated, or other similar circumstances;

10.1.6 When Party B is a supplier of a government procurement agency, the government procurement agency has risk information detrimental to loan repayment to Party A such as delayed payment for three continuous or cumulative periods, or Party B experiences disqualification for supply (inclusion in government procurement blacklist), untimely supply, unstable product quality, operating difficulties, obvious deterioration of financial position (insolvency), project shutdown, etc.

10.1.7 Party B's financial indicators fail to continuously satisfy the requirements stipulated in this Agreement/separate service agreement; or any of the preconditions (if any) for Party A to provide credit facility/financing to Party B as stipulated in this Agreement/separate service agreement is not continuously satisfied.

10.1.8 Party B draws and utilizes the loan by "breaking up the total amount into parts" in order to circumvent entrusted payment of loan proceeds by Party A pursuant to the requirements herein;

10.1.9 The operating activities of Party B may expose Party A to anti-money laundering or sanctions compliance risk.

10.1.10 Other circumstances Party A considers to be harmful to Party A's legitimate rights and interests.

10.2 In the event the Guarantor has any of the following conditions, and Party A considers it may harm the Guarantor's guarantee capability, thus requires the Guarantor to eliminate adverse effect of such circumstance or requires Party B to increase security or change security condition, but the Guarantor and Party B fail to cooperate with such requirement, it will be deemed a breach event has occurred:

10.2.1 A condition similar to one of the conditions described under Article 6.2.6 hereof has occurred, or a condition described under Article 6.2.8 has occurred without Party A's consent;

10.2.2 The Guarantor conceals its actual capability for undertaking the guarantee responsibility or has not obtained authorization from relevant authority when issuing the irrevocable letter of guarantee;

10.2.3 The Guarantor fails to perform on time the annual enterprise reporting procedure, renewal/extension of its business term, or other similar circumstances;

10.2.4 The Guarantor is being slack in managing and claiming for its mature debts or disposes of its existing main properties without compensation or by other improper means.

10.2.5 The Guarantor breaches any obligation, undertaking or statement set forth in any irrevocable letter of guarantee signed by it.

10.3 In the event the Mortgagor (or Pledgor) has any of the following conditions, and Party A considers it may result in failure of creation of mortgage/pledge or deficiency in the value of the mortgaged/pledged asset, thus requires the Mortgagor/Pledgor to eliminate adverse effect of such condition or requires Party B to increase security or change security condition, or the Mortgagor/Pledgor and Party B fails to cooperate with such requirement, it will be deemed a breach event has occurred:

10.3.1 The mortgagor/pledgor has no ownership or disposal right to the mortgaged/pledged asset or the ownership is disputable;

10.3.2 The mortgage/pledge has not been registered, or the mortgaged/pledged asset has been leased, legally resided, seized, retained or supervised, has a common/legal priority (including but not limited to the priority of construction project or movable property payments), has been created with the retained priority of the seller's ownership and the priority of lessor's financing lease, and/or has been concealed with the occurrence thereof;

10.3.3 The mortgagor transfers, leases, re-mortgages or disposes of by any improper means the mortgaged asset without Party A's written consent; or even though such disposal is done with Party A's written consent, the proceeds obtained from disposal of the mortgaged asset is not used to repay Party B's debts to Party A as required by Party A;

10.3.4 The mortgagor fails to properly keep, maintain and repair the mortgaged asset, obviously derogating their value; or the act of the mortgagor directly endangers the mortgaged asset, causing their value to decrease; or the mortgagor fails to obtain/renew insurance for the mortgaged asset as required by Party A during the mortgage term;

10.3.5 The mortgaged asset is or is likely to be included in the government's scope of demolition and expropriation, but the mortgagor fails to inform Party A promptly and perform relevant obligations under the mortgage contract;

10.3.6 In case the mortgagor uses its housing property which it has mortgaged with China Merchants Bank to provide residual mortgage security for the transaction hereunder, the mortgagor pays off his/her personal mortgage loan without Party A's consent before Party B's has paid off its credit debt hereunder.

10.3.7 Where the pledgor provides wealth management product as pledge, the source of funds for subscription of the wealth management product is illegal/non-compliant;

10.3.8 Matters concerning the collateral (pledge) occur or are likely to occur, which affect the value of the collateral (pledge) or the collateral (pledge) rights of Party A.

10.3.9 The mortgagor (or pledgor) breaches any obligation, undertaking or statement set forth in any mortgage/pledge contract signed by it.

10.4 Where accounts receivable are pledged to secure the debt hereunder, if the accounts receivable debtor's business has deteriorated significantly, or the accounts receivable debtor transfers its properties or illegally withdraws capital for the purpose of debt evasion, or colludes with the accounts receivable pledgor to change the payments collection channel to divert payment of accounts receivable from entering the designated collection account, or loses its goodwill, or loses or is likely to lose its capability to perform the pledge agreement, or has any other major event that impairs its solvency, Party A shall have the right to require Party B to provide corresponding security or provide new valid accounts receivable for pledge, failing which, it will be deemed a breach event has arisen.

10.5 Once any of the above breach events has arisen, Party A shall have the right to take the following measures separately or simultaneously:

10.5.1 Reduce the Credit Line hereunder, or stop utilization of the remaining amount of the Credit Line;

10.5.2 Recover in advance principals, interests and related fees of all loans extended within the scope of the Credit Line;

10.5.3 As for bills accepted or letters of credit, letters of guarantee, delivery guarantees and other credit papers issued (including entrusted reissue) by Party A within the Credit Extending Period, regardless if any advance has been made, Party A shall have the right to require Party B to increase the amount of bond, or transfer deposits from its other accounts at Party A into the bond account or deposit the corresponding amounts with a third party, to secure for repayment of future advances made by Party A hereunder;

10.5.4 As for outstanding accounts receivable claim of Party B acquired in factoring service, Party A shall have the right to require Party B to immediately perform the repurchase obligation and adopt other recovery measures in accordance with relevant separate service agreement; as for accounts receivable claim against Party B acquired in factoring service, Party A shall have the right to claim against Party B immediately.

10.5.5 As appropriate, Party A may also directly require Party B to provide other assets acceptable to Party A as new security, failing which, **Party B shall be liable to pay liquidated damage equivalent to 30% of the Credit Line hereunder.**

10.5.6 Directly freeze/debit deposit in/from any settlement account and/or other account opened by Party B with China Merchants Bank, suspend opening of new settlement account for Party B, and suspend opening of new credit card for legal representative;

10.5.7 Submit Party B's default and dishonesty information to credit standing agencies and banking associations, and have the right to share such information among banking institutions and even make it known to the public by appropriate means;

10.5.8 Dispose of the collateral (pledge) and/or claim compensation from the guarantor as per the provisions of the guarantee agreement;

10.5.9 For a working capital loan granted under the credit, Party A may change the entrusted payment conditions of

proceeds and remove the method of independent payment for Party B's use of proceeds;

10.5.10 Claim compensation pursuant to the provisions of this Agreement.

10.6 Funds recovered by Party A will be used to repay credit debts in a last-to-first order according to their respective maturity date. And each credit will be repaid in the following order: fees, liquidated damages, compound interests, penalty interests, interests, and lastly principals of the credit, until all principals, interests and related fees have been fully repaid.

Party A shall have the right to unilaterally adjust the above repayment order, unless otherwise required by laws and regulations.

11. Amendment and Supplement to Agreement

This Agreement may be amended on the basis of consensus and execution of a written agreement between Party A and Party B. This Agreement shall remain valid before a written agreement is executed. Neither party shall unilaterally amend this Agreement without consent of the other party.

Written supplementary agreements made and entered by and between the Parties through negotiation regarding matters not covered hereunder and modifications hereto and all separate agreements entered into hereunder by the Parties shall form appendixes to and constitute integral parts of this Agreement.

12. Other matters

12.1 During the term of validity of this Agreement, any tolerance or grace period given by Party A for any breach or delay of Party B or any delay of Party A in exercising any interest or right hereunder will not prejudice, affect or restrict any rights and interests Party A is entitled to as the creditor under the law and this Agreement, and shall not be deemed as Party A's permission or approval for any breach or waiver of its right to adopt action against any existing or future breach.

12.2 In case this Agreement or any part thereof becomes void or invalid in law due to any reason whatsoever, Party B shall still be liable for all debts owed to Party A hereunder. In such case, Party A shall have the right to terminate performance of this Agreement and immediately claim repayment of all debts owed by Party B hereunder.

If any change in applicable laws or regulations results in increase in Party A's cost for performing its obligations hereunder, Party B shall compensate for Party A's cost increase as required by Party A.

12.3 Any notice, requirement or other document of Party A and Party B with respect to this Agreement ("Notice") shall be transmitted in writing form (including but not limited to mail, fax, email, CMB's e-platforms such as corporate banking/corporate APP, SMS, and WeChat). Party B confirm the address and method of service of documents as follows:

12.3.1 Party B confirms and agrees that Party B's China Merchants Bank corporate online banking/corporate APP and Party B's contact address email, fax number, mobile phone number or WeChat account are used as the addresses for serving business documents and legal documents hereunder to Party B.

For the purpose of this Article, business documents refer to all kinds of business documents such as written confirmation, notice of default, early overdue notice and overdue reminder formed in the course of business transactions under this Agreement; legal documents include notarization documents and judicial documents (including without limitation complaint/arbitration application, evidence, summon, notice of response, notice of proof, notice of court session, notice of hearing, judgment/ruling, order, conciliation statement, notice of performance within a specified time and other legal documents for hearing and execution stages).

The service of documents by Party A, the accepting court or the notary authority using the method agreed herein to the address of service set out in the prior paragraph shall be deemed as valid service.

12.3.2 Party B confirms and agrees that, in case of personal service (including but not limited to service by lawyer/notary public or express delivery), it will be deemed served upon being signed receipt by the addressee (**in case of rejection by the addressee, the notification will be deemed served upon the rejection date/return date or seven days following posting, whichever is earlier**); **in case of postal mail, it will be deemed served seven days following posting**; in case of fax, email, **China Merchants Bank** corporate online banking/corporate APP (i.e., service via China Merchants Banking corporate online banking/corporate APP to Party B), mobile phone SMS, WeChat or other acceptable electronic means, it will be deemed served upon the date of successfully sent as shown by Party A's corresponding system/electronic device. **Notification of debt transfer or debt collection to Party B announced by Party A on any public media will be deemed served upon the date of announcement.**

12.3.3 If Party B changes its contact address, email, fax, mobile phone or WeChat, it shall inform Party A of such change within five business days of change, otherwise Party A shall have the right to serve documents to the original address or contact information of Party B. Failure to serve documents due to change in address or contact information of Party B will be deemed served upon the date of return or seven days after posting, whichever is earlier. Party B shall bear the loss of such notification failure on its own without prejudice to the legal effectiveness of the service.

12.3.4 Party B further agrees that the court may serve instruments to Party B by electronic means such as China Judicial Process Information Online and National Court Unified Service Platform. If the court serves instruments by electronic means as agreed above, the date of service indicated on China Judicial Process Information Online and National Court Unified Service Platform shall be regarded as the date of service; if the court serves instruments by electronic means, no paper version shall be needed to be served to Party B's contact address.

12.3.5 The address and method of service stipulated in this Article shall apply to all stages of contract performance, dispute settlement, arbitration, court hearing (first instance, second instance, retrial), and execution.

12.4 The Parties agree that, to make an application for the trade financing service, Party B will only need to affix the reserved seal to application form; both parties hereby acknowledge the validity of such seal.

12.5 The Parties acknowledge that when Party B submits an application for credit service for transaction voucher through Party A's electronic platform (including but not limited to corporate banking/corporate APP), the electronic signature generated in the form of digital certificate shall be regarded as a valid signature of Party B that represents the true intention of Party B. Party A shall have the right to issue the relevant transaction voucher according to the application information submitted online, and Party B shall recognize and be bound by its authenticity, accuracy and legality.

12.6 For convenience of business handling, all operations of Party A related to transactions hereunder (including but not limited to applications acceptance, documents review, loans releasing, transaction confirmation, debiting, inquiry, receipt printing, collection, payment debiting and collection and notification) may be processed by any outlet within Party A's jurisdiction which may generate, issue and produce relevant letters and instruments; operations and instruments handled by other outlets within Party A's jurisdiction will be regarded as being done by Party A and be binding on Party B.

12.7 All appendixes hereto shall constitute integral parts of this Agreement and will automatically apply to corresponding specific transaction conducted between the Parties.

12.8 Payment of Expenses

12.8.1 The relevant premium for accident insurance obtained by Party B and with Party A as the first beneficiary shall be paid by the following means (check the box with "√").

Please check the box with "√":

Paid by Party A.

Paid by Party A and Party B at: Party A $\frac{\quad}{\quad}$ %, Party B $\frac{\quad}{\quad}$ %

12.8.2 The relevant expenses arising from the notarization of enforcement (excluding the expenses arising from the application for issuance of a certificate of enforcement) shall be paid by the following means (check the box with "√").

Please check the box with "√":

Paid by Party A.

Paid by Party A and Party B at: Party A $\frac{\quad}{\quad}$ %, Party B $\frac{\quad}{\quad}$ %

12.8.3 The expenses arising from entrustment of a third party to provide services shall be borne by the entrusting party. If the entrustment is made by the Parties jointly, they shall each bear 50% of expenses.

12.8.4 In the event that Party B fails to repay on time the debts owed to Party A hereunder, all costs incurred by Party A in realizing its debt claim, such as attorney's fees, legal fees, travel expenses, announcement fees, and service fees, shall be borne by Party B in full, and **Party B hereby authorizes Party A to directly debit such costs from Party B's bank account with Party A. In case of a deficiency, Party B shall indemnify Party A in full upon receipt of notice from Party A without requiring any proof from Party A.**

12.9 Party B shall, as per the requirements of Party A, (Check the box with "√"):

insure its core assets and designate Party A as the first beneficiary;

not sell or pledge the assets designated by Party A prior to settlement of credit debts;

impose the following restrictions on the dividends of its shareholders prior to settlement of credit debts as per the requirements of Party A:

12.10 Party B shall make sure that its financial indicators during the Credit Extending Period are not lower than the following requirements:

12.11 Party B also acknowledges the contents of the Group Credit Service Cooperation Agreement (No.) (including adjustments and supplements made by the signatory from time to time) signed between China Merchants Bank Branch and Party B's parent company /Head Office /holding company (insert company name), and agrees to be bound by the agreement and to, as an affiliate of the group under the agreement, undertake all the obligations set forth for the affiliate of the group. In the event of violation, Party A shall be deemed to have committed a default, and Party A shall have the right to take various remedial measures against default as stipulated in this Agreement.

12.12 Other matters agreed upon:

12.12.1 Special agreement on group customer credit (Check the box with "√" when applicable, and "×" when inapplicable)

(1) Party B shall not use false contracts with its related parties or creditor's rights such as bills and accounts receivable without trade background to apply for bill discounting, factoring, pledge, letter of credit, forfeiting and other services from Party A. If Party B uses related party transactions to damage or evade the creditor's rights of Party A or other branches of China Merchants Bank, it shall be regarded as a default under this Agreement, and Party A shall have the right to take corresponding measures against the default in accordance with this Agreement.

(2) A default by any of Party B to China Merchants Bank shall be deemed to be a default under the group credit facility, and Party A shall have the right to decide whether or not to take measures against Party B as agreed upon for handling default in this Agreement according to the degree of impact of default, regardless of whether or not Party B has committed a default under this Agreement.

(3) A related party transaction is the transfer of resources or obligations between two related parties, regardless of whether the price is collected or not. Parties are considered to be related if one party has the ability, directly or indirectly, to control the other party or exercise significant influence over the other party. Parties are also considered to be related if they are subject to common control. The Parties agree that the specific definition of related party shall be as set forth by Party A.

(4) A group refers to a corporate group with a direct or indirect holding (control) or subject to holding (control) relationship, or other corporate group with substantial and significant risk association (if it is subject to joint control by a third party, there is other related party relationship, in which case assets and profits may not be transferred under the fair price principle). Control relationship means the relationship in which Party B has actual control or exercises significant influence over the other party's business decision-making, capital operation and senior manager appointment. The Parties agree that the identification of a member of the group shall be as determined by Party A.

12.12.2

/

13. Account Information

13.1 Special Loan Account (Check the box "" with "√" if applicable)

All loan proceeds hereunder must be disbursed and paid through the following account:

Account Name: /

Account No.: /

Beneficiary Bank: /

13.2 Collection account

13.2.1 Party A and Party B agree to designate the following account as Party B's collection account:

Account Name: Shenzhen Xunlei Networking Technologies Co., Ltd.

Account No.: *****

Beneficiary Bank: China Merchants Bank Shenzhen Shekou Sub-branch

13.2.2 The supervision requirements for this account are as follows: /

Party A shall have the right to recover the loan in advance according to Party B's fund collection status, i.e., when funds have been collected into the collection account, the loan at the amount of the funds may be deemed due in advance and Party A shall have the right to debit funds directly from the collection account to repay the loan.

13.3 Party B shall provide quarterly fund flow information of the aforesaid accounts, and shall cooperate with Party A in the supervision over the said accounts and collection of funds thereinto.

14. Applicable Law and Dispute Resolution

14.1 Conclusion, interpretation and dispute resolution of this Agreement shall be governed by the laws of the People's Republic of China (excluding the laws of Hong Kong SAR, Macao SAR and the Taiwan region); and the Parties' rights and interests shall be protected by the laws of the People's Republic of China.

14.2 Any dispute arising from the performance of this Agreement shall be resolved through negotiation between the Parties. If negotiation fails, either party may (choose one out of the following three options by checking the box with "v"):

- 14.2.1 Bring an action with a competent people's court at Party A's place;
- 14.2.2 File a lawsuit in the people's court with jurisdiction of the Agreement Execution Place, which is /;
- 14.2.3 Apply for arbitration with / (insert name of the arbitration body); the place of arbitration shall be /.

14.3 After this Agreement and all separate agreements concluded thereunder have been notarized with mandatory enforcement force, to claim for repayment of debts owed by Party B under this Agreement and all separate agreements, Party A may directly submit an application to a competent people's court for enforcement.

15. Effectiveness of the Agreement

This Agreement will enter into force upon being signed and affixed with signature seal by legal representatives/principal responsible persons of both parties or their authorized agents and affixed with common seals/seal of contracts of both parties, and will expire automatically upon the expiration date of the Credit Extending Period or the date when all debts and other related fees owed by Party B to Party A hereunder have been fully repaid (whichever comes later).

16. Supplementary Provisions

This Agreement is executed in triplicate with Party A, Party B and the Guarantor each keeping one copy and all copies have the same legal effect.

Appendix: 1. Special Provisions Regarding Cross-border Trade Financing

- 2. Special Provisions Regarding Buyer/Import Factoring
- 3. Special Provisions Regarding Order Loan
- 4. Special Provisions Regarding Commercial Acceptance Bills Guarantee
- 5. Special Provisions Regarding Derivative Transactions
- 6. Special Provisions Regarding Gold Lease

Special Provisions Regarding Cross-border Trade Financing

1. Cross-border coordinated trade financing is the cross-border trade financing Party B applies for from Party A based on the authentic cross-border trade background between itself and its overseas counterpart, which will be provided collectively by Party A and an overseas entity of China Merchants Bank (hereinafter "the Coordinated Platform").

2. Specific types of cross-border coordinated trade financing include: back-to-back letter of credit, entrusted issuing of letter of credit, entrusted overseas financing, certified note payment, overseas credit granting under letter of guarantee and cross-border trade financing express service. The meaning and business rules of each type of service will be agreed under separate service agreement.

3. Under back-to-back letter of credit, the master letter of credit issued by Party A upon Party B's application will directly occupy the Credit Line hereunder, and documentary credit or advance made by Party A (whether during or after the Credit Extending Period) under such master letter of credit for performing its obligations as the issuing bank and corresponding interests and fees thereof will constitute Party B's financing indebtedness to Party A and will be included in the scope of credit guarantee.

Under entrusted issuing of letter of credit/entrusted overseas financing, the letter of credit applied for/trade financing provided by overseas entity which Party A, upon Party B's application, entrusts the Coordinated Platform to accept, will occupy the Credit Line hereunder. Where Party A makes import letter of credit collection payment or advance for outward payment under import collection to Party B's benefit (whether during or after the Credit Extending Period), such payment or advance and related interests and fees thereof will directly constitute Party B's financing indebtedness to Party A and included in the scope of credit guarantee.

Under commercial paper guarantee, upon Party B's application, Party A will directly occupy the Credit Line hereunder to provide guarantee for the commercial bills accepted by Party B. If Party B fails to make full payment for the bills on time, Party A shall have the right to made advances for the guaranteed bills, and such advances (whether made during or after the Credit Extending Period) and related interests and fees thereof will be included in the scope of credit guarantee.

Under overseas crediting for letters of guarantee service, letters of guarantee/standby letters of credit issued by Party A upon Party B's application will directly occupy the Credit Line hereunder. After the overseas company has transferred collection rights (non-claim rights) under the letters of guarantee to the Coordinated Platform, advances made by Party A (whether during or after the Credit Extending Period) upon claim from the Coordinated Platform made based on the letters of guarantee/standby letters of credit and related interests and fees thereof will directly constitute Party B's financing indebtedness to Party A and will be included in the scope of the credit guarantee.

Under cross-border trade financing express service, after Party A has approved Party B's trade financing application, the trade financing directly provided to Party B by the Coordinated Platform will occupy the Credit Line hereunder. In case that Party B fails to pay off trade financing of the Coordinated Platform on time, Party A shall have the right to make the repayment in the form of documentary credit or advance, such b documentary credit or advance (whether made during or after the Credit Extending Period) and related interests and fees thereof will constitute Party B's financing indebtedness to Party A and will be included in the scope of credit guarantee.

Special Provisions Regarding Buyer/Import Factoring

1. Definitions

1.1 Buyer/import factoring service refers to comprehensive factoring services covering payment approval and accounts receivable collection & management provided by Party A as the buyer/import factor for the seller/export factor after the latter has acquired accounts receivable against Party B as the accounts receivable debtor under the relevant commercial contract.

Under the buyer/import factoring service, in case Party B constitutes buyer credit risk, Party A shall assume payment approval liability for the buyer/export factor; in case any dispute arises during performance of the commercial contract, Party A shall have the right to transfer the acquired accounts receivable back to the seller/export factor.

1.2 The seller/export factor is the party who has concluded the factoring service agreement with the supplier/service provider (accounts receivable creditor) under the commercial contract and acquired accounts receivable held by the accounts receivable creditor. Party A can serve as both the buyer/import factor and the seller/export factor concurrently.

1.3 A dispute arises when Buyer raises objection, counter-claim, offset or similar action against the accounts receivable acquired by Party A due to any dispute between the accounts receivable creditor and Party B concerning goods, services, invoices or other causes related to the commercial contract, **or when any third party makes claim, applies for attachment, freezing or seizure or takes other similar actions against the accounts receivable under this Agreement; it will be deemed a dispute has arisen so long as the accounts receivable acquired by Party A cannot be fulfilled whether in whole or in part due to any reason other than credit risk of the buyer.**

1.4 Commercial contracts refer to transaction contracts concluded between Party B and the accounts receivable creditor for the trading of goods and/or services.

1.5 Under payment approval/payment guarantee, after Party B has constituted buyer credit risk, Party A as buyer/importer shall pay corresponding amount of accounts receivable to the seller/export factor within a certain time limit following maturity of the accounts receivable.

2. Upon Party B's application, Party A agrees to provide buyer/import factoring service for Party B within the scope of the Credit Line, and the accounts receivable transferred from the seller/export factor shall subtract from/occupy the Credit Line under the *Credit Agreement* based on its amount.

The amount paid by Party A as the buyer/import factor to fulfill its approved payment/guaranteed payment obligation and all associated fees will be deemed as credit facility issued to Party B under the *Credit Agreement* (at interest rate of within 30 days from the date of issuance and **at / afterwards**), which will be included in the scope of credit guarantee provided by Party B. Party A shall have the right to take any measures agreed under the *Credit Agreement* to recover the approved payment/guaranteed payment from Party B. **So long as the seller/export factor (whether it is Party A or not) has acquired accounts receivable within the Credit Extending Period, even though the approved payment obligation is fulfilled by Party A following expiration of the said period, Party A shall still have the right to claim from Party B in accordance with the *Credit Agreement* and relevant commercial contract.**

3. Buyer/import factoring fee

Buyer/import factoring fee refers to a business management fee collected by Party A for the provision of

buyer/import factoring service to Party B, which will be charged from Party B upon transfer settlement at a certain percentage of the amount of the accounts receivable; the specific rate standard will be reasonably determined by Party A in accordance with its business rules.

4. Party B hereby gives up the right to raise objection to any dispute arising out of the performance of the commercial contract. Therefore, regardless if there is any other agreement, once Party B fails to make payment according to provisions of the commercial contract, it will be deemed that Party B has constituted buyer credit risk, and Party A will proceed to approve the payment, to which Party B has no objection.

Special Provisions Regarding Order Loan

1. Order loan refers to a loan that Party A extends to Party B based on the commercial contract (or project contract) concluded between Party B and a downstream client (the payor), to be used by Party B for performing routine production and operation activities under the commercial contract (or project contract) and will be repaid by sales income (or project income) under the relevant contract as the first source of repayment.

2. Party B shall open a sales income account with Party A for commercial contracts (or project contracts). Sales income under all commercial contracts (project contracts) which have applied for order loan must be remitted directly to this special account, and may not be used or changed without Party A's approval. Party B must notify the payor that this special account is the only account to receive sales income. Party A shall have the right to debit funds from the special account to pay for principals, interests, penalty interests and other related fees of the order loan financing.

3. Under any of the following situations, Party A may immediately suspend Party B's utilization of Credit Line under the *Credit Agreement* and adopt corresponding breach remedies in accordance with the *Credit Agreement*.

3.1 Party B's downstream client has been delinquent in payment for three times consecutively, and Party A reasonably believes that its financial condition has deteriorated to a degree not conducive to protecting Party A's debt claim;

3.2 Party B's supplier qualification has been canceled by its downstream client, or Party B fails to deliver goods to its downstream client on time, or quality of the goods supplied by Party B to its downstream client is unstable, or Party B fails to proceed with its works on schedule without approval of its downstream client, or Party B's professional qualification is lowered to a degree not conforming to its downstream client's requirements, or Party A reasonably believes that Party B has encountered operational difficulty or its financial condition has deteriorated, or total amount of payments from Party B's downstream client has been lower than the total monthly payable amount due from Party B under relevant financing contract for three months consecutively, or the downstream client fails to make installment payment in accordance with relevant project contract for two times consecutively.

Special Provisions Regarding Commercial Acceptance Bills Guarantee

1. Commercial acceptance bills guarantee refers to the service by which Party A provides discount for the commercial acceptance bills accepted, endorsed or guaranteed by Party B or allows the bill holder to apply for discount from any branch of China Merchants Bank (hereinafter "Other Discount Acceptance Bank"). The bill holder (hereinafter "Discount Applicant") may apply for discount from Party A or Other Discount Acceptance Banks by presenting the commercial acceptance bill. Such discount service will occupy a corresponding amount of the Credit Line hereunder.

As the provision of acceptance discount service for commercial acceptance bills by Party A to Party B is the precondition for Other Discount Acceptance Banks to accept discount applications from the bill holder, Other Discount Acceptance Banks, after processing the discount, shall have the right to transfer the discounted bills to Party A; Party A shall be obliged to accept such transfer, and Party B has no objection to this provision.

2. Commercial acceptance bills referred to hereunder include both paper commercial acceptance bills and electronic commercial acceptance bills (hereinafter "Electronic Commercial Bills"); the interest payment methods include interest payment by the buyer, interest payment by the seller, interest payment by other party, and interest payment by agreement.

3. During the Credit Extending Period, Party B must open a commercial acceptance bill bond account with Party A (the account number will be the one generated or recorded by Party A's system when the bond is deposited), and before the acceptance of each bill, deposit a certain amount of money into the bond account as per the percentage required by Party A to serve as the payment margin for the commercial accepted bills which are discounted or acquired from other Discount Acceptance Bank by Party A.

If Party B is the acceptor of the commercial acceptance bill, it shall deposit full amount of payable bill into the bond account it opens with Party A before maturity of each commercial acceptance bill, to pay for the bill when it falls due.

4. During the Credit Extending Period, the discount applicant may present the commercial acceptance bills accepted, endorsed or guaranteed by Party B directly to Party A for discount, or to another Discount Acceptance Bank for discount. Party A or the Other Discount Acceptance Bank shall have the right to examine the qualification of the discount applicant and requires Party B to verify and confirm, and decide at its sole discretion whether to provide discount or not.

After Other Discount Acceptance Bank has provided discount, it shall have the right to transfer the discounted commercial acceptance bills to Party A in accordance with applicable rules of China Merchants Bank. When Party A, after processing the discount or acquiring commercial acceptance bills from Other Discount Acceptance Bank, presents the bill to Party B for payment, Party B shall unconditionally make full payment for the payable bill on time.

5. The issuance, acceptance, guarantee, endorsement and discounting of each electronic commercial bill shall be subject to the transaction information saved in the Commercial Paper Exchange System of China or Electronic Commercial Draft System or the customer statement or other transaction records produced or printed based on such transaction information. The information retained in the Commercial Paper Exchange System of China or the Electronic Commercial Draft System or other transaction records produced or printed based on such transaction information is an integral part of this Appendix and have the same legal effect as this Appendix, and Party B acknowledges its accuracy, authenticity and legality.

6. Any disputes arising out of or in connection with the underlying contract on the commercial acceptance bills for which Party A guarantees to discount within shall be resolved by Party B and the party concerned through negotiation,

and Party B shall still have the obligation to deposit sufficient amount of security and bill amount on time in accordance with Article 3.

7. After Party A provides discount for the commercial bill accepted, endorsed or guaranteed by Party B or acquiring such commercial bill from Other Discount Acceptance Bank, if Party B or the bill payer fails to deposit sufficient amount for the commercial acceptance bill before it falls due, Party A shall have the right to directly take claim measures against Party B, including but not limited to debiting corresponding payment from any deposit account of Party B with China Merchants Bank. If Party A makes advance due to Party B's short payment and the balance in Party B's account balance insufficient to cover it, Party A shall have the right to collect a **penalty interest from Party B at 5/10,000 of the advanced amount per day** in accordance with applicable provisions of the *Payment Settlement Measures*.

Special Provisions Regarding Derivative Transactions

1. Derivative transactions processed by Party A upon Party B's application may occupy the Credit Line by a certain percentage of the nominal principal of transaction/transaction amount, or in the case of floating loss on a derivative transaction, Party A may, in accordance with specific agreement between the Parties, occupy additional credit line of Party B (**upon the occurrence of each transaction, Party A will determine the credit line amount to be taken up based on the type, duration and risk of such transaction and the risk coefficient of the transaction corresponding to the deducted credit line**); the actual credit line amount taken up will be subject to the contents recorded on the credit line occupation notice and/or transaction confirmation letter/verification letter and other related transaction documents issued by Party A.

2. **All derivative transactions that still have balances or incur losses during the Credit Extending Period, whether the transactions arise during or after the Credit Extending Period, will occupy the Credit Line in accordance with the preceding provision.**

Special Provisions Regarding Gold Lease

1. "Gold Lease" service refers to the service by which Party A leases physical gold to Party B and Party B shall return to Party A equivalent quantity of gold of same nature and attribute upon expiration of the lease term and shall pay rents in Chinese Renminbi (RMB) to Party A on schedule.

2. Party A may provide gold lease service for Party B upon Party B's application within the Credit Extending Period and the scope of the Credit Line; physical gold leased by Party A will occupy amount of the Credit Line by a corresponding value agreed under the gold leasing agreement signed by the Parties and will constitute Party B's debts to Party A.

Party B's Statement:

All terms and conditions of this Agreement have been fully negotiated by the Parties. Party A has drawn Party B's special attention to the provisions concerning the exemption or alleviation of Party A's liabilities and other provisions in which Party B has substantial interest, and has made explanations for the above provisions at the request of Party B. Party B has obtained a comprehensive and accurate understanding of the same. All signatory parties' understandings of the terms and conditions of this Agreement are fully consistent.

(The remainder is intentionally left blank)

(The following is for signature of the *Credit Agreement* No.: 755XY2021040155 (Applicable to working capital loan not requiring a separate loan contract))

Party A: China Merchants Bank Shenzhen Branch

/s/ Seal of China Merchants Bank Shenzhen Branch

Principal Responsible Person or Authorized Agent (Signature/Name Seal): /s/ Yue Ying

Address: Building of China Merchants Bank Shenzhen Branch, No. 2016, Shennan Avenue, Lianhua Street Futian District, Shenzhen Municipality

Party B: Shenzhen Xunlei Networking Technologies Co., Ltd.

/s/ Seal of Shenzhen Xunlei Networking Technologies Co., Ltd.

Legal Representative/Principal Responsible Person or Authorized Agent (Signature/Name Seal): /s/ Wu Kening

Address: 21-23/F, Block B, Building 12, Shenzhen Bay Science and Technology Ecological Park, 18 Community Science and Technology South Road, Yuehai Street, High-tech Zone, Nanshan District, Shenzhen Municipality, Guangdong Province

Company email: *****

Company fax: /

Contact mobile number: *****

Company WeChat ID: /

Signing date: December 2, 2021



Agreement on Financing Amount

/s/ Seal of Shenzhen Xunlei Networking Technologies Co., Ltd.

Contract version No.: SPDB202109

Agreement on Financing Amount

The Company: Shenzhen Xunlei Networking Technologies Co., Ltd. (hereinafter referred to as “Party A”)

Main business site: 21F, Block B, Building 12, Shenzhen Bay Science and Technology Ecological Park, Nanshan District, Shenzhen, Guangdong

Contact person: Xie Xiangyun	Tel.: *****
Fax: /	Email: /

Bank: Shanghai Pudong Development Bank Co., Ltd., Shenzhen Branch (hereinafter referred to as “Party B”)

Main business site: Pudong Development Bank Building, No. 88 Pucheng Road, Tianxin Community, Sungang Street, Luohu District, Shenzhen

Contact person: Liu Yang	Tel.: *****
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Pursuant to relevant laws and regulations, the following agreement (hereinafter referred to as “this Agreement”) is made and entered into by and between Party A and Party B on the basis of equality, mutual benefits and voluntariness after reaching consensus via negotiation:

Part 1 General Terms and Conditions

1. Agreement: Refer to any or all documents signed by and between Party A and Party B within the service term of amount, including agreement on amount change (see Appendix 1 for the format) and financing attachments, they shall serve as an indispensable part of this Agreement and shall be read together with this Agreement.

Where there is any inconsistency between this Agreement (including supplemental agreements) and the financing attachments, the latter shall prevail.

2. Amount: For the purpose of this Agreement, the service term of amount refers to the valid service term during which Party B grants the credit line to Party A pursuant to the provisions of the financing amount sheet (Part 2 to this Agreement) or any agreement on amount change, a period for which Party A applies for using the financing amount, rather than a debt performance period; the debt performance periods for various businesses hereunder shall be mutually agreed in the corresponding financing attachments or commitment documents issued externally. The service term of amount specified in the financing amount sheet (Part 2 to this Agreement) or the service term of amount explicitly specified in any valid agreement on amount change concluded by and between Party A and Party B (subject to the one signed later). Party A shall apply to Party B for using the

financing amount within the service term of amount. Where Party A brings forth any application beyond the term stated above, Party B may refuse its application no matter whether the financing amount has been used up.

3. Amount Change: In case of any discrepancy between the terms stated herein and the financing amount sheet, the latter (including the changes of financing amount sheet made by Party A and Party B in the form of agreement on amount use change from time to time) shall prevail. If any financing attachment concluded by and between Party A and Party B within the service term of amount is in conflict with the provisions of this Agreement, the former shall apply to the business involved in the financing attachment.

Notwithstanding the regulations above, if Party B believes that it is necessary, it can, for the purpose of ensuring the safety of creditor's rights, inform Party A that the financing under any financing attachment becomes mature in advance. In such case, Party A shall repay the financing fund immediately. For the L/C, L/G/SLC, bank acceptance and other business recognized by Party B, Party A shall make up the margin to 100% immediately.

4. Financing: As per the provisions of this Agreement and any financing attachment, Party A can, within the financing amount and term, apply to Party B for providing credit financing (collectively known as "financing"). The specific applicable financing variety shall be subject to the financing amount sheet. Party B's commitment to the financing amount under this Agreement can be divided into revocable and irrevocable commitments. For the revocable commitments, Party B can (is not obliged to) provide financing for Party A; for irrevocable commitment, Party B performs the commitment under this Agreement on the basis that the amount use specified in this Agreement can be met and both parties specify other preconditions for the specific business.

5. Financing Attachments. For the purpose of this Agreement, financing attachments refer to the documents signed by Party A, including but not limited to:

(1) For loans, attachments refer to any other loan documents that may be signed with Party A, including contract on working capital loan and contract on fixed assets loan;

(2) For notes discounted, attachments refer to agreement on notes discounted and any other documents that may be signed with Party A.

(3) For trade acceptance discount, attachments refer to the agreement on trade acceptance discount and any other documents that may be signed with Party A.

(4) For factorage financing, attachments refer to the agreement on factorage financing and any other documents that may be signed with Party A.

(5) For L/C (including domestic L/C) export bill purchase and outward bills purchased under collection, attachments refer to the agreement on export bill purchase and outward bills purchased under collection and any other documents that may be signed with Party A.

(6) For L/C advance against inward documentary bills, attachments refer to the agreement on

advance against inward documentary bills and any other documents that may be signed with Party A.

(7) For packing loan, attachments refer to the agreement on packing loan and any other documents that may be signed with Party A.

(8) For the opening of L/C, attachments refer to the agreement on the opening of L/C and any other documents that may be signed with Party A.

(9) For the opening of L/G and SLC, attachments refer to the agreement on the opening of L/G and SLC.

(10) For the opening of bank acceptance, attachments refer to the agreement on the opening of bank acceptance and any other documents that may be signed with Party A.

(11) Other financing documents signed by and between Party A and Party B.

For Party A's application related to the use of financing amount, Party B shall issue financing fund to Party A according to the conditions stipulated in this Agreement and financing attachments and/or issue a letter of commitment at the request of Party A as long as the application satisfies the provisions of this Agreement and Party B. However, Party B shall not cancel or change the financing application/agreement that it has signed or submitted; otherwise, Party A shall pay Party B's costs, fees and losses caused by its cancellation or change of application/agreement.

6. Document Submission. Party A shall provide Party B with the following documents or satisfy the corresponding conditions prior to the signature of this Agreement or at the request of Party B:

- (1) Copies of Party A's latest articles of association and business license;
- (2) Board resolution on authorizing Party A to sign this Agreement and relevant financing attachments;
- (3) Party A's power of attorney for the authorized representative and signature specimen of the authorized agent;
- (4) All financing attachments signed by Party A legally based on Party B's requirements; and
- (5) Other documents and/or conditions required by Party B.

7. Preconditions of Amount Use.

Party A must satisfy the following conditions on the amount use:

(1) Party A has normal production and operation activities, favorable financial conditions and has no deteriorated business conditions in the recent three years;

(2) Party A has no violation event explicitly specified in the agreement on financing amount;

(3) If the business under this Agreement is guaranteed, the corresponding guarantee documents have been signed and become valid, necessary mortgage/pledge registration formalities have been finished and guarantee right has been established before Party B develops the specific business;

(4) Party A's explicit amount use plan. The factors and conditions of the specific business

application conform to Party B's relevant rules and systems and requirements for credit conferring examination and approval as well as the requirements for handling the specific financing business;

(5) Party A has provided its information and statements regarding its production, business and financial activities and commits to provide and accept Party B's supervision and inspection within the term of this Agreement in time;

(6) The amount to be used does not exceed the rest balance of the amount;

(7) Party A's specific business application shall be proposed within the limit of amount use; the day when fund is released or when Party B is required to open L/C, L/G/SLC and bank acceptance or other businesses are developed must be Party B's working days;

(8) Other preconditions required by Party B (if any; see "Other Matters as Mutually Agreed" in Part 2).

8. Amount of Financing Occupied. It refers to the sum of financing funds that Party B has been disbursed to Party A at all times as per this Agreement and financing attachments and that Party A has not repaid the principal, financing commitment provided to Party A (including the committed amount under specific signed financing agreement) with principal to be drawn by Party A, as well as the amount of the guarantee commitments (including but not limited to L/C, L/G/SLC) issued at the request of Party A, but excluding the financing funds corresponding to the margin, certificate of deposit, treasury bond, bank acceptance or other guarantees provided by Party A or Party A's guarantor that conform to Party B's management rules, unless otherwise specified herein.

9. Revolving. For the revolving financing amount, the financing amount occupied by the amount involving the obligations that have been performed will be recovered after Party A finishes performing the obligations under this Agreement and financing attachments (including repaying the financing fund or advances made by Party B, Party B's discharge from liabilities under relevant guarantee commitments due to its fulfillment of obligations under the underlying contract, making up 100% margin or Party B's discharge from the external payment liabilities). Party A can, within the service term of amount specified in this Agreement, apply to Party B for using the financing amount continuously. The non-revolving financing amount, once occupied, cannot be recovered after Party A finishes performing repayment and other obligations, unless otherwise agreed by Party B. Within the service term of amount, Party B is entitled to review Party A's conditions and the collateral per year, unless otherwise specified. If Party A passes review, it can use the financing amount next year continuously; otherwise, Party B is entitled to cancel Party A's financing amount at the beginning of next year. In such case, except for the financing attachments that have become valid, the financing amount that has not been used yet and will be returned in future will not be used any longer.

10. Guarantee. If the financing amount under this Agreement is guaranteed, Party A shall apply for financing as per this Agreement on the basis that the guarantee document has been signed and come into effect, and that if the guarantee contract is a mortgage/pledge contract, the security

interests under the contract have been created and continuously valid. If the financing amount sheet requires the proportion of margin for opening L/C, L/G/SLC and bank acceptance, Party A can open the above on the basis that the margin in the aforesaid proportion has been paid off. Where Party A plans to apply for the change of financing amount, which leads to the increase of the amount, Party A shall provide more guarantee or urge the guarantor to confirm the change and provide more guarantee as required by Party B. For the financing amount that can be used continuously next year after Party B's review, Party A shall ensure the guarantee will remain valid continuously at the request of Party B.

11. Taxation. Party A shall repay the financing fund under this Agreement in full amount without any deduction, unless it is required to deduct relevant taxes when making repayment as per laws. If Party A must deduct relevant taxes as per laws, it shall provide Party B with duty-paid proof within 15 (fifteen) days after making deduction. At the same time, Party A shall pay extra fees to Party B until the funds received by Party B are equal to the amount that Party B shall receive without any deduction.

12. Statement and Guarantee. Party A hereby makes the following statement and guarantee which are seen to be made by Party A repetitively per time when Party B provides Party A with financing as per this Agreement and financing attachments and shall always remain valid.

(1) Party A is the enterprise (public institution) legal person or other economic organization duly established as per applicable laws and enjoying independent legal person qualification and complete financial system and repayment capacity, has the rights to conclude and perform this Agreement as per laws, sign this Agreement and any document related to this Agreement and has taken all necessary company behaviors to make this Agreement and any document related to this Agreement legal, valid and executable forcefully;

(2) Party A signs this Agreement and performs its obligations under this Agreement without violating any other contract or document it has signed, the company's articles of association, any applicable law, regulation or administrative order, relevant documents, judgment or ruling of competent authority or conflicting any other obligation or arrangement it shall follow.

(3) Party A and its any shareholder or associated company does not involve any liquidation, bankruptcy or reorganization program or is not merged, combined, separated, reconstructed, dissolved, shut down or does not enter similar legal programs or any case that may lead to such legal procedures.

(4) Party A does not involve any economic, civil, criminal, administrative proceeding or similar arbitration procedure that may exert adverse influence on it or any case that may lead to its involvement in such legal procedure or similar arbitration procedure.

(5) No any major assets of Party A's legal representative, director, director or other senior managers and its client are executed forcefully, sealed up, detained, frozen, retained or supervised or involve any case that may lead to the consequence above.

(6) Party A ensures all the financial statements it issues (if any) conform to the applicable laws and reflect its financial conditions truthfully, completely and fairly; all the documents, data and information it provides for Party B about itself and the guarantor when signing and performing this Agreement are authentic, valid, accurate and complete and do not conceal or omit anything required.

(7) Party A deals with all matters as per applicable laws and regulations, develop business based on the scope of business specified in its business license or approved as per laws and go through registration and annual check formalities in time;

(8) Party A has disclosed the facts and conditions that it knows or shall know and based on which Party B decides whether granting the credit under this Agreement to Party B (including but not limited to business, finance and external guarantee).

(9) Party A's internal management documents related to environment and social risks conform to laws and regulations and have been implemented faithfully.

(10) Party A ensures it has no any other case or event that causes or may cause major adverse influence on its performance capacity.

13. Commitment. Party A makes the following commitments which are seen to be a new commitment made by Party A repetitively each time when Party B provides financing for Party A as per the provisions of this Agreement and financing attachments and shall always remain valid.

(1) Party A shall abide by and perform all its obligations under this Agreement and financing attachments strictly;

(2) Party A shall repay the financing fund or payment made in advance in time as per the provisions of this Agreement and financing attachments or make up 100% margin at the request of Party B, unless otherwise specified in this Agreement or financing attachments. Party A shall apply for, obtain and abide by all the approvals, authorizations, registrations and licenses required as per the applicable laws and regulations and always make them valid so that it could sign and perform the obligations specified in this Agreement and any document related to this Agreement lawfully. As long as Party B requires, Party A shall issue relevant certificates with no delay;

(3) Within 5 (five) Party B's working days upon knowing its involvement in any economic, civil, criminal, administrative proceeding or similar arbitration procedure which may exert adverse influence on itself or within 5 (five) Party B's working days upon knowing any of its assets may be executed forcefully, sealed up, detained, frozen, retained or supervised, Party A shall inform Party B in writing and state in detail the influence and remedial measures it has taken or will take;

(4) Without Party B's written consent, Party A shall not provide guarantee which exerts material adverse influence on its financial conditions or capacity of performing the obligations under this Agreement for a third party;

(5) Without Party B's written consent, Party A shall not repay other long-term debts in advance by exerting major adverse influence on its capacity of performing the obligations under this Agreement;

(6) From the date when this Agreement is concluded to the full repayment of debts under this Agreement and financing attachments, without Party B's written consent, Party A:

1) will not make significant investment, transfer its shares, have changes in de facto controller or majority shareholder, increase debt financing substantially, enter liquidation, reconstruction or bankruptcy procedure, be merged, combined, separated, assigned, decapitalized, reorganized, dissolved, shut down or go out of business or involve other similar legal procedures and other matters that possibly affect its solvency;

2) will not sell, rent out, bestow, get foreclosed, exchange, transfer, assign, mortgage, pledge or dispose of in other ways whole or a substantial part of its important assets, except for the daily business demand;

3) will not provide guarantee to any third party that will result in a material adverse effect on its financial position or ability to perform obligations hereunder; or incur new substantive debts or early repayment of other long-term debts and such repayment may have a material adverse effect on its ability to perform obligations hereunder;

4) will not sign any contract/agreement exerting major adverse influence on its capacity of performing the obligations under this Agreement or bear related obligations that may exert the influence above.

(7) If the guarantee under this Agreement involves a special case or is changed certainly, Party A shall provide other guarantee recognized by Party B based on Party B's requirements. The said special case or change includes but is not limited to the guarantor's production suspension, business shutdown, dissolution, business suspension for rectification, revoking or cancellation of business license, application or passive application of reorganization, bankruptcy, substantial change of business or financial conditions, involvement in major lawsuit or arbitration, lawsuit, arbitration or other compulsory measures against legal representative/person in charge, depreciation or possible depreciation of collateral, seal-up and other property preservation measures, violation of the guarantee contract and request for terminating guarantee contract.

(8) Party A shall also go through notarization with compulsory execution effect from the notary organ recognized by Party B at the request of Party B and agrees to accept the compulsory execution voluntarily;

(9) Party A shall inform Party B, at all times, of the event that may influence its capacity of performing the obligations under this Agreement and any document related to this Agreement.

(10) Special provisions on group client (applicable to group clients).

If Party A to this Agreement is a group client, Party A hereby commits that:

1) Party A shall report the associated transactions which are above 10% of the actual addressee's net assets in time, including a. association of all transaction parties; b. transaction project and transaction nature; c. amount or the corresponding proportion of transaction; d. pricing policy (including the transaction with no amount or with symbolic amount).

2) If the actual addressee has any of the following cases, Party A is seen as a breach of this Agreement. In such case, Party B is entitled to decide if to cancel the credit that Party A has not used yet unilaterally and collect the credit used partially or wholly or ask Party A to make up the margin to 100%. a. The addressee provides false materials or conceals major business

and financial information; b. The addressee changes the original credit purpose, embezzles credit or uses bank credit to engage in illegal transactions arbitrarily without Party B's consent; c. The addressee extracts bank capital or credit at Party B's site by discount or pledging in virtue of false contract among associated parties and with creditor's rights with no trading background such as notes receivable and accounts receivable; d. The addressee refuses to accept Party B's supervision and inspection of its use of credit capital and relevant business and financial activities; e. The addressee is merged, purchased or reorganized substantially, which Party B deems probably influential to the credit safety; f. The addressee avoids bank creditor's rights purposefully by connected transaction.

(11) Special provisions, commitment and conventions on green credit (applicable to the clients whose construction, production and operation activities of nuclear power station, large hydropower station, water conservancy project and resources mining project may change the original environment status and generate serious environmental and social consequences that could hardly be eliminated as well as the clients whose construction, production and operation activities of petroleum refining, coking, nuclear fuel processing, chemical raw materials and manufacturing of chemical products which lead to serious environmental and social consequences that could be eliminated through mitigation measures):

1) Party A commits to provide its environmental, social and governance risk reports to Party B, and declares and undertakes that it will enhance the management of environmental, social and governance risks, including a. environmental, social and governance risks related internal management documents conform to the laws and regulations and will be performed in good faith; b. there is no any major lawsuit case related to environmental, social and governance risks.

2) Party A commits that it will accept Party B's supervision and strengthen environmental, social and governance risk management, including a. Party A commits that all the behaviors and performances related to environmental, social and governance risks conform to the requirements; b. Party A commits that it will establish and improve the internal management system regarding environmental, social and governance risks, and has specified the measures on the responsibilities, obligations and punishment of its relevant responsible persons; c. Party A commits that it will establish and improve the emergency mechanism and measures on environmental, social and governance risk emergencies; d. Party A commits that it will designate a special department and/or person to take charge of environmental, social and governance risks; e. Party A commits that it will coordinate with Party B or a third party recognized by Party B to assess and check its environmental, social and governance risks; f. Party A undertakes that it will give response actively for the big doubts on its control environmental, social and governance risks from the masses or other interest related parties; g. Party A commits that it will urge its critical associated parties to strengthen management to prevent their environmental, social and governance risks from affecting clients; h. Party A commits that it will perform other matters that Party B believes are associated with control

environmental, social and governance risks.

3) Party A commits that it will report any of the following cases to Party B in time and sufficiently upon their occurrence:

- a. licenses, approvals and checks related to environmental, social and governance risks in the process of commencement, construction, operation and shutdown;
- b. assessment and check of Party A's environmental, social and governance risks by environmental, social and governance risk supervision agency or the organ that the agency recognizes;
- c. construction and operation of supporting environmental facilities;
- d. pollutant emission and objective;
- e. employees' safety and health;
- f. major complaint and protest against the environment and social risks by adjacent communities;
- g. major environment and social claims;
- h. other major cases that Party B believes are associated with environmental, social and governance risks.

4) Party A is seen as a breach of this Agreement if Party A and its actual credit grantor involve any of the following cases:

- a. Party A's statements, warranties and representations related to environmental, social and governance risks are not performed earnestly;
- b. Party A is subjected to the punishment of relevant government organs due to its improper environmental, social and governance risk management;
- c. Party A is queried by the mass and/or media due to its improper environmental, social and governance risks management;
- d. other events of default related to environmental, social and governance risks management as specified by Party B and Party A, including cross default.

If Party A involves any of the events of default above, Party B can unilaterally decide if

- a. canceling the commitment of credit granting it has been made;
- b. suspending the allocation of loan until Party A takes the remedial measures that satisfy Party B;
- c. collecting the loan issued in advance;
- d. exercising relevant mortgage and pledge rights and other punitive measures in advance when Party A cannot repay the loan;
- e. other punishment measures specified by Party A and Party B.

(12) Party A undertakes that it will not increase local government's implicit debt in violation of regulations, otherwise, Party B may suspend/terminate Party A's financing or drawdown, cancel the financing amount, and declare the disbursed financing amount mature earlier in part or in whole. Party B may also report such situation to relevant regulatory authorities.

(13) With regard to anti-money laundering, Party A acknowledges and agrees that Party B may assess money laundering risk for any transactions hereunder according to the applicable anti-money laundering laws and regulations and its internal management requirements. If Party A breaches Party B's anti-money laundering regulations, or Party A and/or any transactions hereunder are reasonably suspected by Party B of participation in illegal activities such as money laundering, sanction, financing of terrorism or financing for the spread of weapons of mass destruction, export control, or tax evasion, Party B may take necessary control measures according to the anti-money laundering regulations of the People's Bank of China and its internal management rules. In addition, Party B may directly restrict or suspend all or partial businesses hereunder without notice to Party A, declare early maturity of the loans, terminate this Agreement without any liability, and require Party A to compensate all losses caused to Party B thereby.

(14) Party A/the guarantor hereby agrees and irrevocably authorizes Party B to submit the information of all contracts/agreements/commitments concluded by Party A/the guarantor and Party B, including the information about the performance of the said contracts/agreements/commitments, as well as the basic enterprise information and other information provided by Party A/the guarantor, for the basic financial credit information database set up by the State, according to the requirements of the *Regulations on the Management of Credit Investigation* and other credit standing related laws and regulations, as well as the collection requirements for the basic financial credit information database set up by the State, so that the institutions eligible for query could query and use it. At the same time, Party B is also entitled to query and use the credit information about Party B/the guarantor included in the financial credit information database set up by the State. The authorization covers all links of Party B's necessary business management under this Agreement prior to and after the signature of this Agreement and remains valid until this Agreement is terminated.

(15) Party A hereby acknowledges that it has fully understood and known Party B's provisions on the banning of its employees' pursuit of personal interests in any form in virtue of its post and commits that it will avoid the case above in an honest and fair manner and will not provide Party B's employees with kickback, cash gift, securities, valuable articles, awards, compensation of private fees, private tourism, high consumption recreation and other unjust interests in any form privately.

14. Fees and Expenses: Party A shall pay relevant fees and taxes as per laws, regulations and this Agreement.

15. Default Interests. Both parties shall specify the default interests against financing under this Agreement and default interests against embezzlement of loan and its charging rules via negotiation in the financing amount sheet or financing attachments.

16. Conversion of Exchange Rate. In case of calculating the amount used, if the financing currency is not in consistency with the currency of financing amount, Party B has the right to convert them based on its relevant exchange rate. Where the change of exchange rate makes the sum of financing amount used under this Agreement exceed the maximum financing amount above, Party B has the right to ask Party A to repay the exceeding loan. If the currency of repayment made by Party A (including authorized repayment is not in consistency with the financing currency, Party B has the right to make repayment by purchasing foreign exchange based on its exchange rate and the exchange rate risks arising therefrom shall be borne by Party A.

17. Authorized Repayment and Offset. Party A hereby authorizes Party B to, on behalf of Party A, deduct fund from any account it opens at Shanghai Pudong Development Bank Co., Ltd. (whatever the currency) against any mature debt not paid by Party A no matter whether the debt is under this Agreement or the financing attachments, so that Party B can use the fund for repaying the

debts. The authorization is irrevocable. In case of conversion of exchange rate, Party B shall make conversion based on its exchange rate determined and the risks of exchange rate shall be borne by Party A.

18. Debt Certificate. Party B will maintain a set of account book and voucher related to the business activities specified in this Agreement and financing attachments inside its account according to the business operation criteria that it always follows, as proof for Party B's financing funds, interests and fees. Except for the obvious errors, Party A acknowledges that the valid certificates of creditor's rights in the financing hereunder shall be the accounting vouchers or other valid evidentiary materials issued and recorded by Party B according to its business regulations.

19. Transfer. Party A shall not transfer any of its right or obligation under this Agreement. Party B can transfer any of its right or obligation under this Agreement to a third party at all times and disclose any information related to this Agreement to the third party, including any information provided by Party A and its guarantor for Party B for the purpose of this Agreement.

20. Information Disclosure. Party A agrees, besides the disclosures allowed in Article 19 hereof, Party B can also disclose any information related to this Agreement to its head office, branches, associated agencies or the personnel employed by them. At the same time, Party B can also make disclosure as per the requirements of any law and regulation and the requirements of supervision department, government organ or judicial organ.

21. Breach of this Agreement.

(1) Events of Breach. Any of the following events of Party A shall constitute an event of breach of this Agreement and financing attachments to Party B:

1) Party A violates any statement or guarantee of this Agreement or the statement or guarantee proves to be incorrect, false, misleading or have omissions or has been breached,

2) Party A fails to repay on time financing principal, interest and payables under the specific business application, violates or refuses to perform any matter committed under this Agreement, and/or Party A violates this Agreement or the specific financing attachment;

3) Party A commits material cross defaults, including but not limited to breach of any other financing contracts signed by it; or Party A fails to repay any due debts under other financing contracts or agreements signed by it;

4) The guarantor that provides guarantee for Party A has already been or will not be capable of providing guarantee for the financing or violates any guarantee document; or changes with adverse effects on Party A have occurred, including depreciation or possible depreciation of collateral, seal-up and other property preservation measures;

5) Party A is suspected of participating in illegal activities such as money laundering, sanction,

financing of terrorism or financing for spread of weapons of mass destruction, export control, or tax evasion.

6) Party A increases local government's implicit debt in violation of regulations.

7) Party A is involved in any circumstance that may affect Party B's asset security.

(2) Consequences of Breach. If Party A commits any event of breach above, Party B, besides asking Party A to compensate all the losses thus caused, such as attorney fees, is also entitled (but is not obliged to) take the following measures separately or at the same time:

1) Adjust or cancel the financing amount under this Agreement;

2) Collect the agreed liquidated damages from Party A, declare the debt specified in any financing attachment under this Agreement becomes mature in advance, either in part or in whole, and/or terminate this Agreement and all or part of financing attachments; ask Party A to repay the financing capital and pay interests with no delay, either partially or wholly; as for the acceptance draft that has been realized or L/C, L/G/SLC opened by Party B within the service term of amount, Party B can ask Party A to pay more margin or transfer Party A's deposit or its deposit in settlement account to its margin account for the purpose of external payment or margin paid for Party A probably in future. If Party B has paid relevant funds in advance, it can request Party A to make repayment immediately;

3) Calculate interests based on the default interest rate specified in this Agreement or in financing attachment and charge compound interests against the interests that shall have been paid;

4) Deduct Party A's fund at any of its accounts opened at Shanghai Pudong Development Bank as per the provisions of Article 17 hereof;

5) Require Party A to provide other guarantee acceptable to Party B;

6) Take other remedial measures according to law.

22. Applicable Laws and Judicial Jurisdiction. This Agreement shall be governed and interpreted by the laws of the People's Republic of China (excluding Hong Kong Special Administrative Region, Macao Special Administrative Region, and Taiwan Province, for the purpose of this Agreement). Any dispute in relation to the performance of this Agreement shall be resolved by both parties via negotiation. If, however, negotiation fails, both parties agree to file a lawsuit to the people's court at the site of Party B. While the dispute is being resolved, all parties shall perform the non-disputable terms continuously.

23. Agreed Address of Service. Party B acknowledges that its valid address of service is the address first written above, at which Party A may directly give or mail any notice to be served to Party B under this Agreement, until such address is changed by Party B through announcement. Party A agrees that all notices given to Party B shall be deemed served upon actual receipt by Party B.

Party A acknowledges that its valid mail or electronic addresses are the address, fax and

email first written above. All notices under this Agreement and legal instruments sent to Party A in course of litigation in connection herewith, such as correspondence, summons and notices, shall be deemed served as long as they are sent to the mail or electronic addresses first written above by mailing, fax or electronic transmission. The specific date of service shall be subject to the relevant provision in the *Civil Procedure Law of the People's Republic of China*. In case of changing the address above, Party A shall give a prior notice to Party B; otherwise, the address changed without notice shall not apply to Party B, and the service of address confirmed herein shall remain valid.

24. Business Day. A business day hereunder refers to any day Party B is open for corporate business, excluding any statutory holidays.

25. Term Severability. Any term judged invalid, illegal or non-executable forcefully in this Agreement or any financing attachment does not influence the validity, legality and forceful execution of other terms stated therein.

26. Term of Grace. Where Party B grants a term of grace or postpones an action against Party A's breach of this Agreement or other behaviors during the whole term of this Agreement, it does not impair, influence or restrict Party B from enjoying all the rights or interests as the creditor as per laws or this Agreement or mean recognizing Party A's breach of this Agreement or Party B's waiving of the rights to take actions against Party A's existing or future violation behaviors.

27. Relationship between Previous Credit Granting and this Agreement. Unless otherwise specified by both parties, if Party A and Party B have concluded a credit granting agreement under which the business has not been settled since the validity of this Agreement, the business will be included in this Agreement and occupy the credit amount under this Agreement directly. Party A commits that it will ask for confirmation of the guarantor under the former credit granting agreement for the debts under this Agreement continuously at the request of Party B.

28. Validity and Amendment. This Agreement comes into effect once signed (or sealed) by Party A's legal representative or authorized agent and stamped with official seal and signed (or sealed) by Party B's legal representative or authorized agent and stamped with official seal. Unless Party B cancels the financing amount entirely and Party A no longer has any financing or debt balance under this Agreement and all financing attachments, this Agreement will remain valid permanently.

(End of Part 1)

Part 2 Commercial Terms (Financing Amount Sheet)

Party A: Shenzhen Xunlei Networking Technologies Co., Ltd.					
Descriptions of financing amount					
Sum (currency) of financing amount	RMB 400 million	Service term of amount	From March 2, 2018 to March 1, 2022		
Mode of amount revolving	<input checked="" type="checkbox"/> Revolving; <input checked="" type="checkbox"/> Non-revolving; <input checked="" type="checkbox"/> Others_____				
Nature of amount	<input checked="" type="checkbox"/> Revocable commitment <input checked="" type="checkbox"/> Irrevocable commitment				
The guarantor that provides guarantee for the debt under this Agreement and guarantee contract include but is not limited to:					
Guarantor	Shenzhen Xunlei Networking Technologies Co., Ltd.	Mode of guarantee	<input checked="" type="checkbox"/> Mortgage ; <input checked="" type="checkbox"/> Pledge; <input checked="" type="checkbox"/> Guarantee		
Guarantor	□	Mode of guarantee	<input type="checkbox"/> Mortgage; <input type="checkbox"/> Pledge; <input type="checkbox"/> Guarantee		
Guarantor		Mode of guarantee	<input type="checkbox"/> Mortgage; <input type="checkbox"/> Pledge; <input type="checkbox"/> Guarantee		
Margin proportion for different businesses	<input type="checkbox"/> Discount__%; <input type="checkbox"/> L/C opening____%; <input type="checkbox"/> Banknote opening_____%; <input type="checkbox"/> Opening of L/G/SLC__% ; <input type="checkbox"/> Others _____				
Applicable financing varieties and amount condition (tick the variety chosen with “√” and delete inapplicable ones with “×”)					
	Applicable financing variety	Amount (sum and currency)	Interest rate/rate	Longest term per business	Remarks
□	Loan				

	<input type="checkbox"/> Working capital loan				
	<input type="checkbox"/> Fixed assets loan				
<input type="checkbox"/>	Trade financing				
	<input type="checkbox"/> Opening of bank acceptance				
	<input type="checkbox"/> Trade acceptance discount (including negotiated interest payment)				
	<input type="checkbox"/> Banknotes discount				
	<input type="checkbox"/> Trade acceptance discount (client is acceptor)		<input type="checkbox"/>		
	<input type="checkbox"/> Factorage financing				
	<input type="checkbox"/> Opening of L/C (including buyer's usance)				
	<input type="checkbox"/> Advance against inward documentary bills (under L/C/ inward collection)				
	<input type="checkbox"/> Negotiation of export L/C				
	<input type="checkbox"/> Outward bills purchased under collection				
	<input type="checkbox"/> Packing loan				
	<input type="checkbox"/> Opening of L/G/SLC				
	<input type="checkbox"/> Import Refinance				
	<input type="checkbox"/> Financing of outward remittance				
	<input type="checkbox"/> Import security				
	<input type="checkbox"/> Domestic L/C buyer's financing				

<input type="checkbox"/>	<input type="checkbox"/> Others				
<p>Other matters as mutually agreed:</p> <p><u>1. The specific applicable financing variety or separate amount and its adjustment under the maximum credit line are subject to Party B's approval.</u></p> <p>/s/ Seal of Shanghai Pudong Development Bank Co., Ltd., Shenzhen Branch</p> <p>/s/ Seal of Shenzhen Xunlei Networking Technologies Co., Ltd.</p>					
<p>Special notes:</p> <p>(1) The sum of financing amount occupied by all applicable financing varieties shall not exceed the maximum financing amount. Where Party A requires the financing amount of one applicable financing variety apply independently instead of together with other applicable financing varieties, the amount of such applicable financing variety shall be marked separately.</p> <p>(2) Party A is also the mortgagor or pledger, fill in “party concerned” or “Party A’s name” in guarantor column.</p> <p>(3) If RMB interest rate is an annual interest rate, the floating cycle should be marked for floating interest rate. Fill in “amount of single transaction” or “rate” in the rate column. Except otherwise agreed upon, the loan interest rate shall be calculated by simple interest. The method of interest calculation can be found on the website of the People’s Bank of China.</p>					
<p>This Agreement is executed in <u>quintuplicate</u>, with Party A and <u>mortgage registration authority</u> holding <u>one respectively</u> and Party B holding <u>three</u> with the same legal effect.</p>					

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This Agreement is concluded by and between the following two parties on November 14, 2021. Party A hereby acknowledges that prior to the signature of this Agreement, both parties have explained and discussed in detail all the terms contained herein and have no doubt regarding these terms. Both parties have also understood their respective rights and obligations and the legal meaning of terms regarding restrictions of responsibilities and exception accurately.

Party A: Shenzhen Xunlei Networking Technologies Co., Ltd.

Party B: Shanghai Pudong Development Bank Co., Ltd.,
Shenzhen Branch

/s/ Seal of Shenzhen Xunlei Networking Technologies Co., Ltd.

/s/ Seal of Shanghai Pudong Development Bank Co., Ltd.,
Shenzhen Branch

Legal representative or authorized agent (signature or seal): /s/
Wu Kening

Legal representative/principal responsible person or authorized
agent (Signature/Name Seal):
/s/ Li Rongjun

Electronic seal verified by: /s/ Ye Shaozhi

/s/ Wu Wei

Agreement on Amount Change (format)

No.: _____

Party A		Party B	Shanghai Pudong Development Bank Co., Ltd., Branch
<p>According to <i>Agreement on Financing Amount</i> (No. _____) concluded by and between Party A and Party B, both parties hereto agree to change relevant matters related to financing amount that Party B grants to Party A. Both parties hereby agree the change agreement serves as an indispensable part of <i>Agreement on Financing Amount</i> which will remain valid except for the terms specified in the change agreement.</p>			
Main matter changed	<input type="checkbox"/> Sum of financing amount <input type="checkbox"/> Service term of amount <input type="checkbox"/> Financing variety <input type="checkbox"/> Mode of guarantee <input type="checkbox"/> Others		
The changed financing amount sheet as mutually confirmed by Party A and Party B is as below:			
Sum (currency) of financing amount		Expiry date of service term of amount	

Mode of amount revolving	<input type="checkbox"/> Revolving; <input type="checkbox"/> Non-revolving; <input type="checkbox"/> Others_____
Nature of amount	<input type="checkbox"/> Revocable commitment <input type="checkbox"/> Irrevocable commitment

The guarantor that provides guarantee for the debt under this Agreement and guarantee contract include but is not limited to:

Guarantor		Mode of guarantee	<input type="checkbox"/> Mortgage; <input type="checkbox"/> Pledge; <input type="checkbox"/> Guarantee
Guarantor		Mode of guarantee	<input type="checkbox"/> Mortgage; <input type="checkbox"/> Pledge; <input type="checkbox"/> Guarantee
Guarantor		Mode of guarantee	<input type="checkbox"/> Mortgage; <input type="checkbox"/> Pledge; <input type="checkbox"/> Guarantee

Margin proportion for different businesses	<input type="checkbox"/> Discount_____%; <input type="checkbox"/> L/C opening_____%; <input type="checkbox"/> Banknote opening_____%; <input type="checkbox"/> Opening of L/G/SLC_____%; <input type="checkbox"/> Others _____
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Applicable financing varieties and amount condition (tick the variety chosen with “√” and delete inapplicable ones with “×”)

	Applicable financing variety	Amount (sum and currency)	Interest rate/rate	Longest term per business	Remarks
<input type="checkbox"/>	Loan				
	<input type="checkbox"/> Working capital loan				
	<input type="checkbox"/> Fixed assets loan				
<input type="checkbox"/>	Trade financing				

	<input type="checkbox"/> Opening of bank acceptance				
	<input type="checkbox"/> Trade acceptance discount (including negotiated interest payment)				
	<input type="checkbox"/> Banknotes discount				
	<input type="checkbox"/> Banknotes discount (client is acceptor)				
	<input type="checkbox"/> Factorage financing				
	<input type="checkbox"/> Opening of L/C (including buyer's usance)				
	<input type="checkbox"/> Advance against inward documentary bills (under L/C/inward collection)				
	<input type="checkbox"/> Negotiation of export L/C				
	<input type="checkbox"/> Outward bills purchased under collection				
	<input type="checkbox"/> Packing loan				
	<input type="checkbox"/> Opening of L/G/SLC				
	<input type="checkbox"/> Import refinance				
	<input type="checkbox"/> Financing of outward remittance				
	<input type="checkbox"/> Import security				
	<input type="checkbox"/> Domestic L/C buyer's financing				
<input type="checkbox"/>	<input type="checkbox"/> Others				

Other matters as mutually agreed: _____

This Agreement is executed in _____ with Party A, Party B and the guarantor (if any) holding _____ respectively with the same legal effect.	
Party A's signature column	The guarantor's signature column
Party A (official seal) Legal representative or authorized agent (signature or seal):	The guarantor hereby acknowledges that it has known the changes above and will continue to bear guarantee responsibilities for the main creditor's rights changed upon the validity of the change agreement! The guarantor (official seal): Legal representative or authorized agent (signature or seal):
Party B's signature column	
Party B (official seal or special seal for contract): Legal representative/person-in-charge or authorized agent (signature or seal): Date: MM DD YY	

No.: ZD791720210000082



Maximum Mortgage Contract

Contract version No.: SPDB201203

Maximum Mortgage Contract

The Mortgagee: Shanghai Pudong Development Bank Co., Ltd. (SPD) Shenzhen Branch

The Mortgagor: Shenzhen Xunlei Networking Technologies Co., Ltd.

WHEREAS,

The contract (hereinafter referred to as “this Contract”) is made and entered into by and between the Mortgagor and the Mortgagee, to make sure the Debtor performs various obligations under master contract fully and timely and that claims of the Creditor (i.e. “the Mortgagee”) could be realized, whereby the Mortgagor agrees to bear guarantee responsibility as per all the terms and conditions set forth below:

Article 1 Mortgage Guarantee

1.1 Property under Mortgage

- (1) The Mortgagor hereby irrevocably agrees: It will provide mortgage guarantee for the Debtor’s repayment of its debts under the master contract for the Mortgagee with the property under mortgage (hereinafter referred to as “the collateral”) as agreed in Article 9.
- (2) The mortgage right hereunder shall be effective not only on the collateral but also on appurtenance, incidental rights, fruits and subrogation of the collateral.

1.2 Mode of Guarantee

The Mortgagor hereby acknowledges: The Mortgagee enjoys the first priority of compensation, unless otherwise specified herein. Where the Debtor fails to discharge its debt as per provisions of master contract, the Mortgagee is entitled to request the Mortgagor to bear guarantee responsibility within the scope as agreed herein before requesting other guarantors to perform guarantee responsibility, no matter whether the Mortgagee enjoys other guarantee rights for the debts under master contract (including but not limited to guarantee type such as security, mortgage and pledge).

1.3 Scope of Guarantee

Besides principal creditor’s rights as mentioned herein, the scope of the guarantee hereunder also covers interests arising therefrom (interests herein mean interest, penalty interest and compound interest), liquidated damages, damage awards, service charge and other expenses incurred for the signature or performance of this Contract and expenses the

Mortgagee pays to realize guarantee rights and creditor's rights (including but not limited to legal cost, counsel fee and travelling expenses).

1.4 Change of Master Contract

The Mortgagor hereby acknowledges: If the grace that the Mortgagee offers the Mortgagor or the modification or change made by the Mortgagee and the Mortgagor to master contract does not increase the Mortgagor's responsibility, the Mortgagee's rights and interests hereunder will not be affected by such change, and in such case, the Mortgagor will not be reduced or exempted from guarantee responsibility therefore.

Notwithstanding the provisions above, for the business of L/C, L/G or SLC issued by the Mortgagee to the Debtor, the Mortgagee and the Debtor can modify the master contract (including L/C, L/G or SLC issued) without approval by or a separate notice to the Mortgagor. Such modification is seen to be approved by the Mortgagor in advance, and the Mortgagor will not be reduced or exempted from guarantee responsibility therefore.

Article 2 Mortgage Registration

2.1 Registration

(1) The Mortgagor shall, upon the signature of this Contract, go through mortgage registration formality of the collateral hereunder at the request of the Mortgagee. After applying for mortgage certificate (if any), the Mortgagor shall hand over the mortgage certificate and ownership certificate of the collateral to the Mortgagee immediately

(2) Where the collateral hereunder needs to be approved by relevant authority, the Mortgagor shall go through approval formality in relevant authority before mortgage registration.

(3) The Mortgagor, before all the debts under master contract are paid off by the Debtor, is obligated to ensure mortgage registration has no defect in all aspects and remains effective, including but not limited to handling registration extension or postponing formality timely before the expiration of mortgage term (if any).

2.2 Change Registration

In case that mortgage registration is changed when mortgage right exists and change registration is needed as per laws, the Mortgagor shall coordinate with the Mortgagee to go through change registration formality timely in relevant mortgage registration authority.

2.3 Cancellation Registration

Where all the debts under master contract that are guaranteed herein are paid off and are acknowledged by the Mortgagee, the Mortgagor shall put forward a written application to the Mortgagee; after the Mortgagee audits the application and returns mortgage credential (if any) and/or other relevant certificates (if any), the Mortgagor shall go through cancellation registration formality in original registration authority at its sole discretion.

Article 3 Insurance of the Collateral

3.1 Insurance of the Collateral

- (1) The Mortgagor shall, within (five) 5 days upon the signature of this Contract, underwrite property insurance in full for the collateral from the insurance company as per insurance type recognized by the Mortgagee, where is the Mortgagee serves as the insured or the first beneficiary. If the Mortgagee is unable to serve as the insured or the first beneficiary in the property insurance, the Mortgagor shall handle equity transfer or change formality as per (2) of this paragraph after purchasing the insurance where the Mortgagee is not the insured or the first beneficiary.
 - (2) Where the Mortgagor has purchased corresponding property insurance for the collateral before signing this Contract, it shall, within five (5) days upon the signature of this Contract, transfer all the rights and interests (including payment of various natures of claims and insurance proceeds) under insurance contract to the Mortgagee, or go through insurance interest transfer or change formality, in which the Mortgagee serves as the first beneficiary, until the Mortgagor pays off all the debts guaranteed by the collateral, and makes corresponding agreement or annotation in policy and insurance contract.
 - (3) Insurance amount for the collateral shall not be lower than the amount of all the debts that the collateral guarantees. Expiry date of the insurance shall be six months later than expiry date of the last debt under master contract or the expiration of creditor's rights determination period (whichever is later), unless otherwise agreed by the Mortgagee. The Mortgagee is entitled to request the Mortgagor to purchase insurance again as per provisions of this article, until all the debts under master contract are paid off.
 - (4) In the event of an insured accident, all rights and interests under insurance contract shall be accepted and controlled by the Mortgagee. Insurance proceeds and indemnity shall be deposited in the account designated by the Mortgagee as the collateral of master contract, to pay off debts either before or after the expiration of the debts.
 - (5) The Mortgagor shall hand over original of insurance contract and other relevant legal documents to the Mortgagee for storage, abide by all the security or other requirements with regard to insurance contract and provide receipt of the latest payment of premium and payment receipt of all or any relevant policy and premium.
-

- (6) During term of the mortgage, the Mortgagor, without a written approval by the Mortgagee, shall not change, cancel or terminate insurance contract, either unilaterally or by negotiating with insurance company; waive the right to request for insurance proceeds or claim compensation from a third party or violate the obligations as stipulated in insurance contract.
- (7) The Mortgagor shall pay premium in time during term of the mortgage. The Mortgagor shall not suspend or revoke the insurance for any reason; otherwise, the Mortgagee, for the purpose of continuing the aforesaid insurance, has right to place insurance for and on behalf of the Mortgagor and pay premium, with relevant expenses borne by the Mortgagor. The Mortgagor shall pay the expense and corresponding interest to the Mortgagee within seven (7) days after receiving payment notice of the Mortgagee. The Mortgagor hereby agrees the Mortgagee to deduct the preceding expenses directly from its account opened in the Mortgagee.

Article 4 Realization of Mortgage Right

4.1 Disposal of the Collateral

In any of the following circumstances, the Mortgagee is entitled to dispose the collateral as per laws, to realize mortgage right:

- (1) The Debtor breaches the master contract;
- (2) The Mortgagor breaches the master contract;
- (3) The circumstances where the Creditor under master contract could realize claims in advance happen; or
- (4) Other circumstances regarding the disposal of the collateral as mutually agreed by both parties hereto happen.

4.2 Realization of Mortgage Right

In the circumstance where the collateral could be disposed as per the provisions herein, the Mortgagee can dispose any collateral as per any of the following methods:

- (1) The Mortgagee can consult with the Mortgagor to pay off all the debts by converting the collateral into money or auctioning or selling the collateral; if, however, consultation fails, the Mortgagee can petition people's court to auction or sell the collateral to pay off all the debts.
 - (2) After converting the collateral into money or auctioning or selling the collateral, the part
-

exceeding all the creditor's rights guaranteed by the collateral, if any, shall be owned by the Mortgagor; if, however, it is insufficient, the Debtor shall make compensation further. The Mortgagee can decide payment sequence of the income gained by disposing the collateral.

- (3) Income gained after the Mortgagee disposes the collateral shall be used to pay off the debts under master contract, either on schedule or in advance. For financing business other than loan, the Mortgagee, if there is no advance payment, shall have the right to withdraw and transfer the income gained by disposing the collateral into its designated account or the Debtor's margin account, for external payment or as the margin for the Mortgagee's any probable advance payment; in such case, both parties hereto have no need to sign a margin pledge contract.
- (4) Other methods allowed by laws or agreed by both parties.

Article 5 Representations and Warranties

5.1 The Mortgagor's Representations and Warranties

The Mortgagor hereby makes the following representations and warranties to the Mortgagee:

- (1) It is a civil subject with full capacity for civil right and capacity for civil conduct and capable of signing this Contract and has obtained all the authorizations and approvals required for the signature of this Contract and the performance of its obligations hereunder.
 - (2) Its signature and performance of this Contract are in accordance with laws, regulations, relevant documents, judgments and verdicts of competent authority that the Mortgagor shall abide by, as well as the contracts and agreements that it has signed and any other obligations.
 - (3) All the data and information the Mortgagor provides (including relevant information of the Mortgagor and the collateral) conform to applicable laws and are true, valid, accurate, complete and faithful.
 - (4) The financial data provided reflect the Mortgagor's financial status faithfully, completely and justly. It has no major adverse change in operation and finance upon the issuing of the latest audited financial statement.
 - (5) It has gone or will go through filing, registration or other formalities required for the performance of this Contract.
-

- (6) There is no circumstance or event which causes or may cause a material adverse effect on contractual capacity.

Article 6 Matters as Mutually Agreed

6.1 The Mortgagor's Commitments on the Collateral

The Mortgagor hereby commits and acknowledges as follows for the collateral hereunder to the Mortgagee:

- (1) The Mortgagor has full and lawful ownership of the collateral. The collateral is legally acquired and involves no dispute on ownership, use right or operation management right or right defect, mortgage right, lien or other security interest or priority (unless otherwise specified agreed) which the Mortgagor has no idea of. Except for the mortgage right established as per provisions herein, the Mortgagor, without written approval by the Mortgagee, will not establish mortgage right, lien and/or any other security interest or priority on the collateral in any form with any third party other than the Mortgagee; it will not rent, transfer or grant the collateral to any third party or allow any third party to use the collateral for free, or hide, move, dismantle or illegally add the collateral.
 - (2) The collateral can be mortgaged as per laws without any restriction; the collateral is not sealed up, detained, supervised or involved in other administrative or compulsory procedures.
 - (3) The collateral is not a property in common; if, however, the collateral is a property in common, the Mortgagor has obtained the co-owner's written approval.
 - (4) Where the collateral is a property under construction or a completed property, corresponding land use right will be mortgaged together with the collateral, unless otherwise specified.
 - (5) Where the collateral is land use right, the land will be developed timely and land use right will not be taken back due to development delay.
 - (6) Where the collateral is land use right or construction in progress, the Mortgagor commits it will consider the construction in progress and ready house in following stages of the collateral as the collateral under master contract, and sign relevant document and handle related mortgage formality as early as possible within the time allowed by real estate registration authority or competent authority after mortgage condition is met.
 - (7) Where the collateral is land use right, construction in progress or real estate, the Mortgagor commits it will pay all land costs (including but not limited to transfer fee) in connection with the collateral as per laws and regulations; there is no circumstance with adverse influence on mortgage right.
-

(8) Abide by various regulations and policies in relation with all the collateral hereunder.

6.2 The Mortgagor's Further Commitments

- (1) The Mortgagor hereby commits it will not take the following actions before acquiring the written approval of the Mortgagee:
 - a. Dispose its major assets by means such as transfer (including sales, granting, offsetting debts or exchanging), mortgage and pledge, either in whole or in large part;
 - b. Change operation system or property right organizational form greatly, including but not limited to system reform, stock right transfer, combination (or merger), separation or capital decrease;
 - c. Go on or apply for bankruptcy, reorganization, dissolution and business closing, or close down according to order of superior authority or abnormally;
 - d. Sign contract/agreement which have material adverse effect on the Mortgagor's performance of this Contract or undertake obligation with such effect.
 - (2) The Mortgagor hereby commits to notify the Mortgagee immediately within five (5) banking days upon the occurrence of any of the following events:
 - a. Relevant event that makes the Mortgagor's representations and warranties herein not true, accurate and complete anymore, violate laws and regulations or become void;
 - b. The Mortgagor or its controlling shareholder, actual controller or its related person or legal representative is involved in litigation, or arbitration, or its assets are detained, sealed up, compulsorily executed or provided with other measures with the same effect.
 - c. The Mortgagor changes its legal representative or authorized agent, leader, main financial director, contact address, enterprise name, office place, etc., or changes domicile, habitual residence or work unit, leaves its city for a long term or name or has adverse variation in income.
 - d. There is a dispute on ownership of the collateral, or the collateral is sealed up, detained, expropriated or damaged or lost or is or may be subjected to any adverse influence from a third party.
 - e. It has been restructured or become bankrupt via application by other creditor or cancelled by superior competent authority.
 - (3) The Mortgagor hereby commits it will provide corresponding financial data at the request of the Mortgagee during the signature and performance of this Contract.
-

- (4) The Mortgagor hereby acknowledges: Before all the creditor's rights of the Mortgagee under master contract are fully paid off, it will not exercise the right of recourse and related rights (including but not limited to offset by any debts owed to the Debtor) against the Debtor as a result of undertaking the guarantee responsibility hereunder.
 - (5) Where the Debtor pays all or part of debts in advance or makes individual repayment to the Mortgagee, the Mortgagor shall continue to bear the mortgage guarantee obligation and/or joint guarantee obligation to the Mortgagee's creditor's rights formed after the repayment in advance or individual repayment cancellation.
 - (6) If the Mortgagee requests to appraise the collateral, the Mortgagor shall entrust an appraisal institution approved by the Mortgagee to conduct the appraisal of the collateral.
 - (7) The Mortgagor, as long as the Mortgagee requires, shall also go through notarization with compulsory execution effect in notary organ approved by the Mortgagee, and accept the compulsory execution voluntarily.
 - (8) The Mortgagor shall coordinate with the Mortgagee actively in handling relevant formalities while the Mortgagee exercises mortgage right as per the provisions herein, to ensure the realization of the Mortgagee's mortgage right.
 - (9) The Mortgagor hereby acknowledges that the validity of this Contract will not be affected by validity of master contract.
 - (10) The Mortgagor shall bear relevant expenses, taxes and dues hereunder in accordance with laws and regulations and the provisions herein.
 - (11) The Mortgagor shall properly keep and maintain and reasonably use the collateral and shall not take any action or method prohibited or excluded by any insurance clause against the collateral to ensure safety and integrity of the collateral; the Mortgagor shall accept the Mortgagee's check for the collateral at any time. If the Mortgagor's act reduces the value of the collateral, the Mortgagee shall have the right to request the Mortgagor to stop such act.
 - (12) The Mortgagor shall notify the Mortgagee promptly of any event which may have a material adverse effect on the collateral or its value (including but not limited to any significant and substantial decrease in the value of the collateral which may affect the Mortgagee's exercising of mortgage right). The part of value of the collateral which has not been reduced shall remain as the guarantee hereunder.
 - (13) Where any claim against the collateral raised by a third party affects the rights and interests of the Mortgagee hereunder, the Mortgagor shall take all the measures to protect the Mortgagee's rights and interests. Should the collateral be commandeered, the compensations that the Mortgagor obtains shall be used to pay off all the claims
-

guaranteed by the collateral or submitted to the Mortgagee as margin of the principal creditor's rights for guaranteeing the main creditor's rights continuously according to the Mortgagee's requirements.

- (14) If the legal successor of the Mortgagor inherits the collateral according to laws during the term of this Contract, it shall bear all the responsibilities and obligations of the Mortgagor hereunder. The successor shall be obligated to go through mortgage registration change formality in registration authority within fifteen (15) banking days upon the inheritance of the collateral.
 - (15) If value of the collateral is obviously reduced due to exchange rate fluctuation or other factors, which may impair the Mortgagee's rights, the Mortgagor shall, at the request of the Mortgagee, provide a guarantee recognized by the Mortgagee equivalent to the reduced value or take other remedial measures.
 - (16) Where the collateral has been leased before the conclusion of this Contract, the Mortgagor shall provide original of lease agreement and rental receipt, disclose the mortgage matter to the lessee and coordinate with the lessee to accept the Mortgagee's check for relevant lease fact. Upon the effectiveness of this Contract, the Mortgagor shall not renew lease agreement with the lessee without written approval by the Mortgagee.
 - (17) Where the collateral is sold, leased or disposed by other means after approval by the Mortgagee, all the receivables generated by the collateral (e.g. sales and lease) shall be mortgaged to the Mortgagee, and in such case, the Mortgagor shall open sales and lease special regulatory account at the Mortgagee's site (separately agreed by both parties), transfer all the funds obtained according to relevant presales/sales contract and lease contract (including but not limited to sales incomes [including deposit] of the collateral, lease income of the collateral, compensation and insurance indemnity) to the regulatory account it opens in at Mortgagee's site and accept the Mortgagee's supervision for the aforesaid funds.
 - (18) Where the collateral is lost or damaged or its value is reduced, or is included in the scope of demolition or involves the circumstance which may influence the Mortgagee's guarantee interests, the Mortgagor shall notify the Mortgagee and adopt effective measures to avoid a heavier loss. Should the collateral be included in the scope of demolition, the Mortgagee is entitled to request the Mortgagor to pay off the guaranteed debts or provide a new guarantee recognized by the Mortgagee, including but not limited to resetting mortgage, signing a new mortgagee agreement and handling new mortgage registration under the form of property right exchange compensation, or under the form of demolition compensation, considering the demolition compensation as the collateral by opening special margin account or deposit receipt. The guarantee shall be provided by the Guarantor by the means recognized by the Mortgagee prior to the registration of the new mortgage above and/or the establishment of margin/deposit receipt guarantee.
-

The Mortgagor shall coordinate with the Mortgagee actively in handling the aforesaid guarantee switching formalities at the request of the Mortgagee.

- (19) The Mortgagor hereby agrees it will be neither exempted from guarantee responsibility nor affected by the Mortgagee's waiver of the mortgage or pledge guarantee provided by the Borrower or the change of sequence of mortgage or pledge guarantee provided by the Borrower.
- (20) Where this contract is ineffective, void or cancelled not attributed to the Mortgagee, the Mortgagor hereby commits to bear joint liability unconditionally to the Mortgagee for the claims unpaid.

6.3 Deduction

- (1) The Mortgagee is entitled to deduct corresponding funds directly from any account the Mortgagor opens in SPD for paying the Mortgagor's debts due and payable, if any.
- (2) The Mortgagee shall have the right to use the proceeds for repaying capital and paying interests and other expenses. The Mortgagee can decide the sequence of liquidation of claims if a number of claims expire.

6.4 Conversion of Exchange Rate

Any conversion of exchange rate hereunder shall be in accordance with foreign exchange price determined by the Mortgagee, and all the related exchange rate risks and losses shall be borne by the Mortgagor.

6.5 Proof of Creditor's Right

Valid certificate of creditor's rights guaranteed by the Mortgagor shall be subject to accounting certificate or other valid evidentiary material issued and recorded by the Mortgagee according to its own business regulations.

6.6 Notice and Delivery

- (1) Notice sent by either party hereto to the other party shall be sent to the address set forth on the signature page of this Contract, until a change of such address is notified in writing by the other party. Service date is specified as follows for the notice sent to the above address: If a notice is sent by letter, the service date shall be the seventh (7th) banking day after sending registered letter to the address listed on signature page of this Contract; if a notice is sent via a specially-assigned person, the service date shall be the addressee's receipt date.
 - (2) The Mortgagor hereby agrees the summons and notices for any litigation against the
-

Mortgagor is seen to be delivered as long as they are sent to the address listed on signature page of this Contract. The change for the aforesaid address has no effect on the Mortgagee without a prior written notice to Mortgagee.

Article 7 Breach of Contract and Treatment

7.1 Breach of Contract

In any of the following cases, the Mortgagor shall constitute a breach of this Contract to the Mortgagee:

- (1) Any representation or warranty herein made by the Mortgagor is untrue, inaccurate, misleading or invalid or has been breached;
 - (2) The Mortgagor fails to provide complete formalities and true data related to the collateral according to the Mortgagee's requirements, or conceals common ownership and dispute of the collateral or the fact that the collateral is sealed up, detained, supervised or mortgaged;
 - (3) The Mortgagor violates any provision of Article 6 herein or other obligations hereunder;
 - (4) The Mortgagor suspends business or production, goes out of business, is reorganized, reformed, stalemated, liquidated, taken over or managed, or its business license is revoked or cancelled or it goes bankrupt;
 - (5) The collateral is subjected to compulsory measures by the state judicial organ or other competent authority, including but not limited to freezing, sealing up and detaining; the Mortgagor disposes the collateral by the means such as donation, exchange, presale, sale, transfer and remortgage without the Mortgagee's written approval; or other circumstances where value of the collateral is decreased or the collateral is lost or severely damaged;
 - (6) The Mortgagor's financial condition deteriorates, or the Mortgagor has great operation difficulty or any other event or circumstance which exerts adverse effect on the its normal operation, financial condition or repayment capability;
 - (7) The Mortgagor or its controlling shareholder, actual controller or associated person or legal representative is involved in a major lawsuit, arbitration, or its major assets are detained, sealed up, frozen, compulsorily executed or provided with other measures with the same effect, resulting in an adverse effect on the Mortgagor's repayment capability;
 - (8) The Mortgagor (if the Mortgagor is a natural person) is dead or declared dead; or
-

- (9) Other circumstances which may generate or have generated a material adverse effect on the Mortgagor's contractual capacity hereunder based on reasonable judgment of the Mortgagee.

7.2 Treatment

In any of the violations as mentioned in the last paragraph, the Mortgagee is entitled to declare principal creditor's rights and/or creditor's right determination period expires in advance, and/or to dispose the collateral as per Article 4 herein or request the Mortgagor to provide other guarantee.

Article 8 Miscellaneous

8.1 Applicable Law

This Contract shall be governed and interpreted by laws of the People's Republic of China (excluding laws of Hong Kong SAR, Macao SAR and Taiwan for the purpose of this Contract).

8.2 Dispute Resolution

Any dispute arising out of the performance of this Contract shall be resolved by both parties via amicable consultation; if, however, consultation fails, either party can file a lawsuit to people's court at the Mortgagee's site. During the dispute, both parties hereto shall perform the non-disputable terms continuously.

8.3 Validity, Change and Cancellation of this Contract

- (1) This Contract comes into effect upon the signature (or seal) and official seal by the Mortgagor's legal representative or authorized agent and stamp of the Mortgagor's official seal as well as the signature (or seal) of the Mortgagee's legal representative/director and stamp of official seal (special seal for contract). It will become void and null after all the creditor's rights guaranteed hereunder are paid off (signature is just needed if the Mortgagor is a natural person).
- (2) The invalidity, cancellation or unenforceability of any provision herein shall not affect the validity or unenforceability of any other provisions herein.
- (3) Upon the validity of this Contract, neither party shall change without permission or cancel this Contract in advance. Both parties can change or cancel this Contract after reaching written agreement via consultation.

8.4 Miscellaneous

- (1) For the purpose of this Contract, “laws” shall mean laws, regulations, rules, local regulations, judicial interpretations and any other applicable provisions.
- (2) For the purpose of this Contract, the documents such as “contract” and “master contract” include the following modifications, changes or supplementations to such documents thereafter; the parties, including but not limited to the Mortgagor, the Mortgagee and the Debtor, involve the parties themselves and subsequent legal successors or heirs.
- (3) For the purpose of this Contract, “financing” refers to, unless otherwise agreed by both parties, financing or credit support the bank offers to the Debtor through banking businesses, including but not limited to bank acceptance, L/G, L/C and SLC.
- (4) For the purpose of this Contract, “maturity” or “expiration” includes acceleration of maturity for principal creditor’s rights by the Creditor. If principal creditor’s rights that are declared to be matured in advanced are all or part of the rights during creditor’s right determination period, the declared date for acceleration of maturity is expiry date of all or part of the rights, and creditor’s right determination period expires at the same time.
- (5) Appendixes to this Contract (including but not limited to list of the collateral) shall serve as an indispensable part of this Contract and have the same legal effect with main body.
- (6) For any matters not mentioned herein, both parties can either consult and record them in Article 9 herein or negotiate by concluding a written agreement which shall serve as an appendix to this Contract.
- (7) Relevant terms and expressions herein shall have the same meaning as those stipulated in the master contract, unless otherwise explicitly specified herein.

Article 9 Contract Elements

9.1 Master Contract Guaranteed by This Contract

A series of contracts signed by and between the Debtor and the Creditor to handle various financing businesses as per the provisions of 9.3 herein, and *Agreement on Financing Amount* (No.: BC2018110900000573 BC2021092800002267) signed by and between the Debtor and the Creditor.

9.2 The Debtor under Master Contract:

Shenzhen Xunlei Networking Technologies Co., Ltd.

9.3 Secured Principal Creditor's Rights

The secured principal creditor's rights hereunder mean all the creditor's rights generated by and between the Creditor and the Debtor from March 2, 2018 to March 1, 2022 to deal with various financing businesses (the aforesaid period is determination period of the highest secured creditor's rights, i.e. "creditor's right determination period) and prior rights as mutually agreed by both parties (if any). Balance of the aforesaid principal creditor's rights shall not exceed RMB (currency) FOUR HUNDRED MILLION during creditor's right determination period.

9.4 The Collateral:

See Appendix 1 (List of the Collateral) for details of the collateral hereunder.

9.5 Text

This Contract is executed in quintuplicate with the Mortgagee holding three, the Mortgagor holding one and mortgage registration authority holding one respectively with the same legal effect.

9.6 Other Matters as Agreed by Both Parties (If Any)

1. "Balance of principal creditor' rights" as mentioned in 9.3 herein refers to balance of principal.

2. All the debts hereunder mean all the funds that the Debtor owes to the Creditor under master contract as agreed in 9.1 herein, including but not limited to capital, interest, penalty interest, compound interest, liquidated damages, damage awards, service charge, other expenses incurred for the signature or performance of this Contract and the expenses generated by the Mortgagee to realize guarantee rights and creditor's rights (including but not limited to counsel fee, legal cost, arbitration fee, execution fee, appraisal fee and notary fee). According to provisions of Article 203 of *Property Law of the People's Republic of China* and review requirements for the maximum mortgage registration in Article 1416 of *Operating Practice for Real Estate Registration (for Trial Implementation)* (GTZG [2016] No. 6), both parties hereby agree the highest creditor's rights guaranteed by the collateral hereunder are RMB 1.6 billion.

3. If total amount of the debts the Debtor owes the Mortgagee under master contract exceeds "the maximum creditor's rights" registered, for the exceeding part, the Mortgagee still enjoys

mortgage priority within the mortgage guarantee scope as agreed herein.

4. In case of any conflict with other provisions, this provision shall govern.

/s/ Seal of Shenzhen Xunlei Networking Technologies Co., Ltd.

/s/ Seal of Shanghai Pudong Development Bank Co., Ltd. Shenzhen Branch

(The remainder of this page is intentionally left blank)

(Signature page)

This Contract shall be signed by the two parties set forth below. Both parties to this Contract hereby acknowledge that they have explained and discussed all the terms and conditions herein in detail and have no objection to any provisions herein; they have a correct and accurate understanding on relevant rights and obligations of the parties to this Contract and legal meaning of responsibility restrictions or exemption provisions.

The Mortgagor (Seal)

The Mortgagee (Official seal or special seal for contract)

/s/ Seal of Shenzhen Xunlei Networking Technologies Co., Ltd.

/s/ Seal of Shanghai Pudong Development Bank Co., Ltd., Shenzhen Branch

Legal representative or authorized agent (signature or seal): /s/ Wu Kening

Legal representative/principal responsible person or authorized agent (Signature/Name Seal): /s/ Li Rongjun

(Apply to any legal person)

Electronic seal verified by:

/s/ Ye Shaozhi

/s/ Wu Wei

The Mortgagor (Signature)

Type and No. of valid identify certificate: /

(For a natural person)

Domicile: 21-23/F, Block B, Building 12, Shenzhen Bay Science and Technology Ecological Park, 18 Community Science and Technology South Road, Yuehai Street, High-tech Zone, Nanshan District, Shenzhen Municipality, Guangdong Province

Main business address: Building of Shanghai pudong development bank, Tian Xin SunGang street community generosity PuCheng road no. 88, Shenzhen luohu district, Shenzhen, Guangdong

Postal code: *****

Tel.: *****

Fax:

Email:

Contact person: Xie Xiangyun

Signing date: November 14, 2021

Postal code: *****

Tel.: *****

Fax:

Email:

Contact person: Liu Yang

Signing date: November 14, 2021

List of the Collateral (Mortgage of Land Use Right)

Type of the collateral: Land use right

The Mortgagor: Shenzhen Xunlei Networking
Technologies Co., Ltd.The Mortgagee: Shanghai Pudong Development Bank Co., Ltd.
Shenzhen Branch

Location	Keyuan Avenue East, Baishi Road South, Nanshan District		
Nature of land ownership	Use right of state-owned land	Source of land use right	<input checked="" type="checkbox"/> Sale <input checked="" type="checkbox"/> Appropriation <input checked="" type="checkbox"/> Transfer
Purpose of land	Industrial land (M0)		
Term of land use right	From July 23, 2013 to July 22, 2043	Land parcel number	T205-0114
Area of land parcel (mound)	5,004.18 m ²	Area of tenure	m ²
Property Ownership certificate No.	SFDZ No. 4000615023	Property owner	Shenzhen Xunlei Networking Technologies Co., Ltd.
Land transferring fee paid			
Value of the collateral	____/ __, subject to the value of realizing mortgage right.		
Prior mortgage information (if any)	Mortgaged to Shanghai Pudong Development Bank Co., Ltd. Shenzhen Branch		
Remarks			
The above collateral has passed check of the Mortgagor and the Mortgagee. The Mortgagor hereby acknowledges: There is not any other prior guarantee interest on the collateral, except for the aforesaid circumstance disclosed to the Mortgagor. This list shall serve as one appendix to <i>The Maximum Mortgage Contract</i> (No.: <u>ZD7917202100000082</u>) by and between the Mortgagor and the			

Mortgagee.

The Mortgagor (Official seal)
/s/ Seal of Shenzhen Xunlei Networking
Technologies Co., Ltd.

Legal representative (or authorized agent)
(Signature or seal)
/s/ Wu Kening

Electronic seal verified by: /s/ Ye Shaozhi

/s/ Wu Wei

January 2, 2019

The Mortgagee (Official seal or special seal for contract)
/s/ Seal of Shanghai Pudong Development Bank Co., Ltd.,
Shenzhen Branch

Legal representative/leaser (or authorized agent)
(Signature or seal)
/s/ Li Rongjun

January 2, 2019

FACILITY AGREEMENT

between

CHIZZ (HK) LIMITED

as Borrower

and

Xunlei Network Technologies Limited

as Lender

relating to a

US\$20,000,000 Term Loan Facility

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FACILITY AGREEMENT

THIS AGREEMENT is dated 9th September 2021 and is made between:

- (1) **CHIZZ (HK) LIMITED**, a corporation organized and existing under the laws of Hong Kong (the “**Borrower**”); and
- (2) **Xunlei Network Technologies Limited**, a corporation organized and existing under the laws of Hong Kong (the “**Lender**”).

IT IS AGREED as follows:

SECTION 1 INTERPRETATION

1. DEFINITIONS AND INTERPRETATION

1.1 Definitions

In this Agreement:

“**Affiliate**” means, in relation to any person, a Subsidiary of that person or a Holding Company of that person or any other Subsidiary of that Holding Company.

“**Availability Period**” means the period from and including the date of this Agreement to and including the date falling 10 (ten) days after the date of this Agreement.

“**Business Day**” means a day (other than a Saturday or Sunday) on which banks are open for general business in Hong Kong.

“**Commitment**” means US\$20,000,000.

“**Default**” means an Event of Default or any event or circumstance specified in Clause 17 (*Events Of Default*) which would (with the expiry of a grace period, the giving of notice, the making of any determination under the Finance Documents or any combination of any of the foregoing) be an Event of Default.

“**Event of Default**” means any event or circumstance specified as such in Clause 17 (*Events Of Default*).

“**Facility**” means the term loan facility made available under this Agreement, as the same may be reduced, varied or cancelled in accordance with the terms of this Agreement.

“**Final Repayment Date**” means the second anniversary of the Utilisation Date.

“**Finance Document**” means this Agreement and any other document designated as such by the Lender and the Borrower.

“**Governmental Agency**” means any government or any governmental agency, semi-governmental or judicial entity or authority (including, without limitation, any stock exchange or any self-regulatory organisation established under statute).

“**Holding Company**” means, in relation to a company or corporation, any other company or corporation in respect of which it is a Subsidiary.

“**Hong Kong**” means, Hong Kong Special Administrative Region of the People’s Republic of China.

“**Indirect Tax**” means any goods and services tax, consumption tax, value added tax or any tax of a similar nature.

“**Interest Period**” means the period determined in accordance with Clause 9 (*Interest Periods*).

“**Interest Rate**” means, in relation to the Interest Period for the Loan, 3 (three) per cent. per annum.

“**Loan**” means a loan made or to be made under the Facility or the principal amount outstanding of that loan.

“**Material Adverse Effect**” means a material adverse effect on:

- (a) the business, operations, property, condition (financial or otherwise) or prospects of the Borrower;
- (b) the ability of the Borrower to perform its obligations under the Finance Documents; or
- (c) the validity or enforceability of this Agreement or the rights or remedies of the Lender under the Finance Documents.

“**Month**” means a period starting on one day in a calendar month and ending on the numerically corresponding day in the next calendar month, except that:

- (a) subject to paragraph (c) below, if the numerically corresponding day is not a Business Day, that period shall end on the next Business Day in that calendar month in which that period is to end if there is one, or if there is not, on the immediately preceding Business Day;
- (b) if there is no numerically corresponding day in the calendar month in which that period is to end, that period shall end on the last Business Day in that calendar month; and
- (c) if an Interest Period begins on the last Business Day of a calendar month, that Interest Period shall end on the last Business Day in the calendar month in which that Interest Period is to end.

The above rules will apply only to the last Month of any period.

“**Party**” means a party to this Agreement.

“**Repeating Representations**” means each of the representations set out in Clauses 14.1 (*Status*) to 14.9 (*No proceedings pending or threatened*) inclusive.

“**Subsidiary**” means in relation to any company or corporation, a company or corporation:

- (a) which is controlled, directly or indirectly, by the first mentioned company or corporation;

- (b) more than half the issued equity share capital of which is beneficially owned, directly or indirectly, by the first mentioned company or corporation; or
- (c) which is a Subsidiary of another Subsidiary of the first mentioned company or corporation,

and for this purpose, a company or corporation shall be treated as being controlled by another if that other company or corporation is able to direct its affairs and/or to control the composition of its board of directors or equivalent body.

“**Tax**” means any tax, levy, impost, duty or other charge or withholding of a similar nature (including any penalty or interest payable in connection with any failure to pay or any delay in paying any of the same).

“**Tax Deduction**” has the meaning given to such term in Clause 10.1 (*Tax definitions*).

“**Unpaid Sum**” means any sum due and payable but unpaid by the Borrower under the Finance Documents.

“**Utilisation**” means the utilisation of the Facility.

“**Utilisation Date**” means the date of the Utilisation, being the date on which the Loan is to be made.

“**Utilisation Request**” means a notice substantially in the form set out in Schedule 2 (*Utilisation Request*).

1.2 Construction

- (a) Unless a contrary indication appears, any reference in this Agreement to:
 - (i) the “**Lender**”, the “**Borrower**”, the “**Parent**” or any “**Party**” shall be construed so as to include its successors in title, permitted assigns and permitted transferees;
 - (ii) a “**Finance Document**” or any other agreement or instrument is a reference to that Finance Document or other agreement or instrument as amended, novated, supplemented, extended or restated;
 - (iii) “**including**” shall be construed as “including without limitation” (and cognate expressions shall be construed similarly);
 - (iv) “**indebtedness**” includes any obligation (whether incurred as principal or as surety) for the payment or repayment of money, whether present or future, actual or contingent;
 - (v) a “**person**” includes any individual, firm, company, corporation, government, state or agency of a state or any association, trust, joint venture, consortium or partnership (whether or not having separate legal personality); and
 - (vi) a provision of law is a reference to that provision as amended or re-enacted.
- (b) Section, Clause and Schedule headings are for ease of reference only.
- (c) Unless a contrary indication appears, a term used in any other Finance Document or in any notice given under or in connection with any Finance Document has the same meaning in that Finance Document or notice as in this Agreement.

- (d) A Default (other than an Event of Default) is “**continuing**” if it has not been remedied or waived and an Event of Default is “**continuing**” if it has not been waived.
- (e) Where this Agreement specifies an amount in a given currency (the “**specified currency**”) “**or its equivalent**”, the “**equivalent**” is a reference to the amount of any other currency which, when converted into the specified currency utilising The Hongkong and Shanghai Banking Corporation Limited's spot rate of exchange for the purchase of the specified currency with that other currency at or about 11 a.m. on the relevant date, is equal to the relevant amount in the specified currency.

SECTION 2 THE FACILITY

2. THE FACILITY

Subject to the terms of this Agreement, the Lender makes available to the Borrower a U.S. Dollar term loan facility in an aggregate amount of US\$20,000,000 equal to the Commitment. The term of the loan will be 2 years starts from the Utilisation Date to the second anniversary of the Utilisation Date.

The Interest rate of the Loan is 3 (three) per cent. per annum.

3. PURPOSE

3.1 Purpose

The Borrower shall apply the proceeds of the Facility towards the borrower's and its affiliates' business expansions and business operation capital.

3.2 Monitoring

The Lender is not bound to monitor or verify the application of any amount borrowed pursuant to this Agreement.

4. CONDITIONS OF UTILISATION

4.1 Initial conditions precedent

The Borrower may not deliver a Utilisation Request unless the Lender has received all of the documents and other evidence listed in and appearing to comply with the requirements of Schedule 1 (*Conditions Precedent*), each in form and substance satisfactory to the Lender. The Lender shall notify the Borrower promptly upon receiving such documents and other evidence.

4.2 Further conditions precedent

Subject to Clause 4.1 (*Initial conditions precedent*), the Lender will be obliged to comply with Clause 5.4 (*Disbursement of Loan*) only if on the date of the Utilisation Request and on the proposed Utilisation Date:

- (a) no Default is continuing or would result from the proposed Loan; and
- (b) the Repeating Representations to be made by the Borrower are true in all material respects.

4.3 Maximum number of Loans

Only 1 (one) Loan may be borrowed under the Facility.

SECTION 3 UTILISATION

5. UTILISATION

5.1 Delivery of a Utilisation Request

The Borrower may utilise the Facility by delivery to the Lender of a copy of a duly completed Utilisation Request not later than 10.00 a.m. (Hong Kong time) on the fifth Business Day before the proposed Utilisation Date (or such other time as the Lender may otherwise agree).

5.2 Completion of a Utilisation Request

(a) A Utilisation Request is irrevocable and will not be regarded as having been duly completed unless:

- (i) the proposed Utilisation Date is a Business Day within the Availability Period; and
- (ii) the currency and amount of the Utilisation comply with Clause 5.3 (*Currency and amount*).

(b) Only one Loan may be requested in the Utilisation Request and the Borrower may only make one Utilisation Request.

5.3 Currency and amount

(a) The currency specified in the Utilisation Request must be U.S. Dollars.

(b) The amount of the proposed Loan must be an amount which is not more than the Commitment.

5.4 Disbursement of Loan

If the conditions set out in Clause 4 (*Conditions of Utilisation*) and 5.1 (*Delivery of a Utilisation Request*) to 5.3 (*Currency and amount*) above have been met, the Lender shall make the Loan available to the Borrower by transfer to the Borrower's bank account specified in the Utilisation Request on the Utilisation Date.

5.5 Cancellation of Commitment

The Commitment shall be immediately cancelled at the end of the Availability Period.

SECTION 4 REPAYMENT, PREPAYMENT AND CANCELLATION

6. REPAYMENT

6.1 Repayment

Subject to the provisions of Clause 7 (*Prepayment And Cancellation*), the Borrower shall repay the outstanding amount of the Loan in full on the Final Repayment Date.

6.2 Reborrowing

The Borrower may not reborrow any part of the Facility which is repaid.

7. PREPAYMENT AND CANCELLATION

7.1 Illegality

If, at any time, it is or will become unlawful in any applicable jurisdiction for the Lender to perform any of its obligations as contemplated by this Agreement or to fund or maintain the Loan:

- (a) the Lender shall promptly notify the Borrower upon becoming aware of that event;
- (b) upon the Lender notifying the Borrower, the Commitment will be immediately cancelled; and
- (c) the Borrower shall repay the Loan within 5 (five) Business Days after the date specified by the Lender in the notice delivered to the Borrower.

7.2 Voluntary prepayment of Loans

The Borrower may, if it gives the Lender not less than 10 (ten) Business Days' (or such shorter period as the Lender may agree) prior notice, prepay the whole or any part of the Loan.

7.3 Restrictions

- (a) Any notice of prepayment given under this Clause 7 (*Prepayment And Cancellation*) shall be irrevocable and, unless a contrary indication appears in this Agreement, shall specify the date or dates upon which the relevant prepayment is to be made and the amount of that prepayment.
- (b) Any prepayment under this Agreement shall be made together with accrued interest on the amount prepaid but without premium, fees or penalty.
- (c) The Borrower may not reborrow any part of the Facility which is prepaid.
- (d) If the Commitment is reduced in accordance with this Agreement, the amount of such reduction may not be subsequently reinstated.

SECTION 5 COSTS OF UTILISATION

8. INTEREST

8.1 Calculation of interest

Subject to Clause 8.3 (*Default interest*), the rate of interest on the Loan for the Interest Period is the Interest Rate.

8.2 Payment of interest

The Borrower shall pay accrued interest on the Loan every six (6) months.

8.3 Default interest

- (a) If the Borrower fails to pay any amount payable by it under a Finance Document on its due date, interest shall accrue on the Unpaid Sum from the due date to the date of actual payment (both before and after judgment) at a rate of 7 (seven) per cent. per annum and

shall be compounded on the last day of the Interest Period and thereafter at three-monthly intervals.

- (b) Any interest accruing under this Clause 8.3 (*Default interest*) shall be immediately payable by the Borrower on demand by the Lender.

9. INTEREST PERIODS

9.1 Interest Period

The Interest Period shall start on the Utilisation Date and end on the Final Repayment Date (or such earlier date as the Loan is repaid in full).

9.2 Non-Business Days

If the Interest Period would otherwise end on a day which is not a Business Day, the Interest Period will instead end on the next Business Day in that calendar month (if there is one) or the preceding Business Day (if there is not).

SECTION 6 ADDITIONAL PAYMENT OBLIGATIONS

10. TAX GROSS-UP AND INDEMNITIES

10.1 Tax definitions

- (a) In this Clause 10 (*Tax Gross-Up And Indemnities*):

“**Tax Credit**” means a credit against, relief or remission for, or repayment of any Tax.

“**Tax Deduction**” means a deduction or withholding for or on account of Tax from a payment under a Finance Document.

“**Tax Payment**” means an increased payment made by the Borrower to the Lender under Clause 10.2 (*Tax gross-up*) or a payment under Clause 10.3 (*Tax indemnity*).

- (b) Unless a contrary indication appears, in this Clause 10 (*Tax Gross-Up And Indemnities*) a reference to “**determines**” or “**determined**” means a determination made in the absolute discretion of the person making the determination.

10.2 Tax gross-up

- (a) All payments to be made by the Borrower to the Lender under the Finance Documents shall be made free and clear of and without any Tax Deduction unless the Borrower is required to make a Tax Deduction, in which case the sum payable by the Borrower (in respect of which such Tax Deduction is required to be made) shall be increased to the extent necessary to ensure that the Lender receives a sum net of any deduction or withholding equal to the sum which it would have received had no such Tax Deduction been made or required to be made.
- (b) The Borrower shall promptly upon becoming aware that it must make a Tax Deduction (or that there is any change in the rate or the basis of a Tax Deduction) notify the Lender accordingly. Similarly, the Lender shall notify the Borrower on becoming so aware in respect of a payment payable to it.

- (c) If the Borrower is required to make a Tax Deduction, it shall make that Tax Deduction and any payment required in connection with that Tax Deduction within the time allowed and in the minimum amount required by law.
- (d) Within thirty days of making either a Tax Deduction or any payment required in connection with that Tax Deduction, the Borrower shall deliver to the Lender evidence reasonably satisfactory to the Lender that the Tax Deduction has been made or (as applicable) any appropriate payment paid to the relevant taxing authority.

10.3 Tax indemnity

- (a) Without prejudice to Clause 10.2 (*Tax gross-up*), if the Lender is required to make any payment of or on account of Tax on or in relation to any sum received or receivable under the Finance Documents (including any sum deemed for purposes of Tax to be received or receivable by the Lender whether or not actually received or receivable) or if any liability in respect of any such payment is asserted, imposed, levied or assessed against the Lender, the Borrower shall, within three Business Days of demand, promptly indemnify the Lender in respect of any loss or liability as a result of such payment or liability, together with any interest, penalties, costs and expenses payable or incurred in connection therewith, provided that this Clause 10.3 (*Tax indemnity*) shall not apply to any Tax imposed on and calculated by reference to the net income actually received or receivable by the Lender (but, for the avoidance of doubt, not including any sum deemed for purposes of Tax to be received or receivable by the Lender but not actually receivable) by the jurisdiction in which the Lender is incorporated.

10.4 Tax credit

If the Borrower makes a Tax Payment and the Lender determines that:

- (a) a Tax Credit is attributable to that Tax Payment; and
- (b) the Lender has obtained, utilised and retained that Tax Credit,

the Lender shall pay an amount to the Borrower which the Lender determines will leave it (after that payment) in the same after-Tax position as it would have been in had the Tax Payment not been required to be made by the Borrower.

10.5 Stamp taxes

The Borrower shall:

- (a) pay all stamp duty, registration and other similar Taxes payable in respect of any Finance Document, and
- (b) within three Business Days of demand, indemnify the Lender against any cost, loss or liability that the Lender incurs in relation to any stamp duty, registration or other similar Tax paid or payable in respect of any Finance Document.

10.6 Indirect tax

- (a) All amounts set out or expressed in a Finance Document to be payable by the Borrower to the Lender shall be deemed to be exclusive of any Indirect Tax. If any Indirect Tax is chargeable on any supply made by the Lender to the Borrower in connection with a

Finance Document, the Borrower shall pay to the Lender (in addition to and at the same time as paying the consideration) an amount equal to the amount of the Indirect Tax.

- (b) Where a Finance Document requires the Borrower to reimburse the Lender for any costs or expenses, the Borrower shall also at the same time pay and indemnify the Lender against all Indirect Tax incurred by the Lender in respect of the costs or expenses to the extent the Lender reasonably determines that it is not entitled to credit or repayment in respect of the Indirect Tax.

11. MITIGATION BY THE LENDER

11.1 Mitigation

- (a) The Lender shall, in consultation with the Borrower, take all reasonable steps to mitigate any circumstances which arise and which would result in any amount becoming payable under or pursuant to, or cancelled pursuant to, any of Clause 7.1 (*Illegality*) or Clause 10 (*Tax Gross-Up And Indemnities*), including (but not limited to):
 - (i) providing such information as the Borrower may reasonably request in order to permit the Borrower to determine its entitlement to claim any exemption or other relief (whether pursuant to a double taxation treaty or otherwise) from any obligation to make a Tax Deduction; and
 - (ii) in relation to any circumstances which arise following the date of this Agreement, transferring its rights and obligations under the Finance Documents to another Affiliate.
- (b) Paragraph (a) above does not in any way limit the obligations of the Borrower under the Finance Documents.

11.2 Limitation of liability

- (a) The Borrower shall promptly indemnify the Lender for all reasonable costs and expenses incurred by it as a result of steps taken by it under Clause 11.1 (*Mitigation*).
- (b) The Lender is not obliged to take any steps under Clause 11.1 (*Mitigation*) if, in the opinion of the Lender (acting reasonably), to do so might be prejudicial to it.

12. OTHER INDEMNITIES

12.1 Currency indemnity

- (a) If any sum due from the Borrower under the Finance Documents (a “**Sum**”), or any order, judgment or award given or made in relation to a Sum, has to be converted from the currency (the “**First Currency**”) in which that Sum is payable into another currency (the “**Second Currency**”) for the purpose of:
 - (i) making or filing a claim or proof against the Borrower; or
 - (ii) obtaining or enforcing an order, judgment or award in relation to any litigation or arbitration proceedings,the Borrower shall as an independent obligation, within 3 (three) Business Days of demand, indemnify the Lender against any cost, loss or liability arising out of or as a

result of the conversion including any discrepancy between (A) the rate of exchange used to convert that Sum from the First Currency into the Second Currency and (B) the rate or rates of exchange available to that person at the time of its receipt of that Sum.

- (b) The Borrower waives any right it may have in any jurisdiction to pay any amount under the Finance Documents in a currency or currency unit other than that in which it is expressed to be payable.

12.2 **Other indemnities**

The Borrower shall, within three Business Days of demand, indemnify the Lender against any cost, loss or liability incurred by it as a result of:

- (a) the occurrence of any Event of Default;
- (b) any information produced or approved by the Borrower being or being alleged to be misleading and/or deceptive in any respect;
- (c) a failure by the Borrower or the Parent to pay any amount due under a Finance Document on its due date or in the relevant currency;
- (d) funding, or making arrangements to fund, its participation in the Loan requested by the Borrower in a Utilisation Request but not made by reason of the operation of any one or more of the provisions of this Agreement (other than by reason of default or negligence by the Lender); or
- (e) the Loan (or part of the Loan) not being prepaid in accordance with a notice of prepayment given by the Borrower.

13. **COSTS AND EXPENSES**

13.1 **Transaction costs**

Each party shall pay their respective costs and expenses (including legal fees) reasonably incurred in connection with the negotiation, preparation and execution of:

- (a) this Agreement and any other documents referred to in this Agreement; and
- (b) any other Finance Documents executed after the date of this Agreement.

13.2 **Amendment costs**

If the Borrower requests an amendment, waiver or consent, the Borrower shall, within 5 (five) Business Days of demand, reimburse the Lender for the amount of all costs and expenses (including, but not limited to, legal fees) reasonably incurred by the Lender in responding to, evaluating, negotiating or complying with that request or requirement.

13.3 **Enforcement and preservation costs**

The Borrower shall, within 5 (five) Business Days of demand, pay to the Lender the amount of all costs and expenses (including, but not limited to, legal fees) incurred by the Lender in connection with the enforcement of, or the preservation of any rights under, any Finance Document.

SECTION 7
REPRESENTATIONS, UNDERTAKINGS AND EVENTS OF DEFAULT

14. REPRESENTATIONS

The Borrower makes the representations and warranties set out in this Clause 14 (*Representations*) to the Lender on the date of this Agreement.

14.1 Status

(a) It is a corporation, duly incorporated and validly existing under the laws of Hong Kong.

(b) It has the power to own its assets and carry on its business as it is being conducted.

14.2 Binding obligations

The obligations expressed to be assumed by it in each Finance Document are legal, valid, binding and enforceable obligations.

14.3 Non-conflict with other obligations

The entry into and performance by it of, and the transactions contemplated by, the Finance Documents do not and will not conflict with:

(a) any law or regulation applicable to it;

(b) its constitutional documents; or

(c) any agreement or instrument binding upon it or any of its assets,

14.4 Power and authority

It has the power to enter into, perform and deliver, and has taken all necessary action to authorise its entry into, performance and delivery of, the Finance Documents to which it is a party and the transactions contemplated by those Finance Documents.

14.5 Validity and admissibility in evidence

All authorisations required or desirable:

(a) to enable it lawfully to enter into, exercise its rights and comply with its obligations in the Finance Documents to which it is a party;

(b) to make the Finance Documents to which it is a party admissible in evidence in its jurisdiction of incorporation; and

(c) for it to carry on its business, and which are material,

have been obtained or effected and are in full force and effect (or will be by the time required).

14.6 Governing law and dispute resolution

(a) The choice of Hong Kong law as the governing law of this Agreement will be recognised and enforced in its jurisdiction of incorporation.

(b) Any judgment obtained in Hong Kong in relation to this Agreement will be recognised and enforced in its jurisdiction of incorporation.

14.7 No default

- (a) No Event of Default is continuing or might reasonably be expected to result from the making of the Utilisation.
- (b) No other event or circumstance is outstanding which constitutes a default under any other agreement or instrument which is binding on it which would reasonably be expected to have a Material Adverse Effect.

14.8 No misleading information

All information supplied by or on behalf of the Borrower for the purposes of the Facility was true, complete and accurate in all material respects as at the date it was given and is not misleading in any respect.

14.9 No proceedings pending or threatened

No litigation, arbitration or administrative proceedings of or before any court, arbitral body or agency which, if adversely determined, would reasonably be expected to have a Material Adverse Effect have (to the best of its knowledge and belief) been started or threatened against it.

14.10 Repetition

The Repeating Representations are deemed to be made by the Borrower by reference to the facts and circumstances then existing on the date of a Utilisation Request.

15. INFORMATION UNDERTAKINGS

The undertakings in this Clause 15 (*Information Undertakings*) remain in force from the date of this Agreement for so long as any amount is outstanding under the Finance Documents.

15.1 Financial statements

The Borrower shall promptly supply to the Lender:

- (a) as soon as the same become available but in any event within 180 days after the end of its most recently ended financial year, its audited financial statements for the most recently ended financial year; and
- (b) as soon as the same become available, its financial statements for the most recently ended financial half year.

15.2 Information: miscellaneous

The Borrower shall supply to the Lender:

- (a) promptly upon becoming aware of them, the details of any litigation, arbitration or administrative proceedings which are current, threatened or pending against the Borrower and which might, if adversely determined, have a Material Adverse Effect; and
- (b) promptly, such further information regarding the financial condition, business and operations of the Borrower as the Lender may reasonably request.

15.3 **Notification of default**

- (a) The Borrower shall notify the Lender of any Default (and the steps, if any, being taken to remedy it) promptly upon becoming aware of its occurrence.
- (b) Promptly upon a request by the Lender, the Borrower shall supply to the Lender a certificate signed by two of its directors on its behalf certifying that no Default is continuing (or if a Default is continuing, specifying the Default and the steps, if any, being taken to remedy it).

16. **GENERAL UNDERTAKINGS**

The undertakings in this Clause 16 (*General Undertakings*) remain in force from the date of this Agreement for so long as any amount is outstanding under the Finance Documents.

16.1 **Authorisations**

The Borrower shall promptly:

- (a) obtain, comply with and do all that is necessary to maintain in full force and effect; and
- (b) supply certified copies to the Lender of,

any authorisation required to enable the Borrower to perform its obligations under the Finance Documents and to ensure the legality, validity, enforceability or admissibility in evidence in its jurisdiction of incorporation of any Finance Document.

16.2 **Compliance with laws**

The Borrower shall comply in all respects with all laws to which it may be subject, if failure so to comply would materially impair its ability to perform its payment obligations under the Finance Documents.

16.3 **Ranking**

The Borrower shall ensure that its payment obligations under the Finance Documents rank first and take precedence over the claims of all of its other unsecured and unsubordinated creditors, except for obligations mandatorily preferred by law applying to companies generally.

16.4 **Change of business**

The Borrower shall not, and shall procure that no Subsidiary of the Borrower will, make any substantial change to the general nature of the business of the Borrower or such Subsidiary of the Borrower from that carried on at the date of this Agreement.

17. **EVENTS OF DEFAULT**

Each of the events or circumstances set out in the following sub-clauses of this Clause 17 (*Events of Default*) (other than Clause 17.10 (*Acceleration*)) is an Event of Default.

17.1 **Non-payment**

The Borrower does not pay on the due date any amount payable by it pursuant to a Finance Document at the place at and in the currency in which it is expressed to be payable unless payment is made within 3 (three) Business Days of its due date.

17.2 **Other obligations**

- (a) The Borrower does not comply with any provision of the Finance Documents (other than those referred to in Clause 17.1 (*Non-payment*)).
- (b) No Event of Default under paragraph (a) above will occur if the failure to comply is capable of remedy and is remedied within 10 (ten) Business Days of the earlier of (i) the Lender giving notice to the Borrower of the failure to comply and (ii) the Borrower becoming aware of the failure to comply.

17.3 Misrepresentation

Any representation or statement made or deemed to be made by the Borrower in the Finance Documents or any other document delivered by or on behalf of the Borrower under or in connection with any Finance Documents is incorrect or misleading in any material respect when made or deemed to be made and, if capable of remedy, such representation or statement remains incorrect or misleading in any material respect at the end of the ten (10) day period following (i) notice thereof by the Lender to the Borrower or (ii) the Borrower becoming aware of such misrepresentation, whichever is the earlier.

17.4 Insolvency

- (a) The Borrower or a Subsidiary of the Borrower is or is presumed or deemed to be unable or admits its inability to pay its debts as they fall due, suspends making payments on any of its debts or commences negotiations with one or more of its creditors with a view to rescheduling any of its indebtedness.
- (b) The value of the assets of the Borrower or a Subsidiary of the Borrower is less than its liabilities (taking into account contingent and prospective liabilities).
- (c) A moratorium is declared in respect of any indebtedness of the Borrower or a Subsidiary of the Borrower and such moratorium is not stayed or removed within ten (10) days.

17.5 Insolvency proceedings

Any corporate action or legal proceedings is taken in relation to:

- (a) the suspension of payments, a moratorium of any indebtedness, winding-up, dissolution, administration or reorganisation (by way of voluntary arrangement, scheme of arrangement or otherwise) of the Borrower or a Subsidiary of the Borrower;
- (b) a composition or arrangement with any creditor of the Borrower or a Subsidiary of the Borrower, or an assignment for the benefit of creditors generally of the Borrower or a Subsidiary of the Borrower, or a class of such creditors;
- (c) the appointment of a liquidator, receiver, administrator, administrative receiver, compulsory manager or other similar officer of the Borrower or a Subsidiary of the Borrower or any of its assets; or
- (d) enforcement of any Security over any assets of the Borrower or a Subsidiary of the Borrower,

or any analogous procedure or step is taken in any jurisdiction.

Clause 17.5(a) shall not apply to any winding-up petition which is frivolous or vexatious and is discharged, stayed or dismissed within 14 (fourteen) Business Days of commencement.

- 17.6 **Creditors' process**
Any expropriation, attachment, sequestration, distress or execution affects any asset or assets of the Borrower or a Subsidiary of the Borrower.
- 17.7 **Unlawfulness**
It becomes unlawful for the Borrower to perform any of its obligations under the Finance Documents.
- 17.8 **Repudiation**
The Borrower repudiates a Finance Document or evidences an intention to repudiate a Finance Document.
- 17.9 **Material adverse change**
An event occurs which the Lender reasonably believes has or is reasonably likely to have a Material Adverse Effect.
- 17.10 **Acceleration**
On and at any time after the occurrence of an Event of Default which is continuing the Lender may by notice to the Borrower:
- (a) cancel the Commitment whereupon it shall immediately be cancelled; and/or
 - (b) declare that all or part of the Loan, together with accrued interest, and all other amounts accrued or outstanding under the Finance Documents, be immediately due and payable, whereupon they shall become immediately due and payable.
 - (c) declare that the Loan be payable on demand, whereupon it shall immediately become payable on demand by the Lender; and/or
 - (d) exercise any or all of its rights, remedies, powers or discretions under the Finance Documents.

**SECTION 8
CHANGES TO PARTIES**

18. CHANGES TO THE PARTIES

- (a) The Lender may assign or transfer any of its rights and/or obligations under the Finance Documents to any other person.
- (b) The Borrower may not assign or transfer any of its rights and/or obligations under the Finance Documents, except with the prior written consent of the Lender.

**SECTION 9
ADMINISTRATION**

19. PAYMENT MECHANICS

19.1 Payments to the Lender

On each date on which the Borrower is required to make a payment under a Finance Document, the Borrower shall make the same available to the Lender for value on the due date at the time and to such account with such bank as the Lender specifies.

19.2 No set-off by the Borrower

All payments to be made by the Borrower under the Finance Documents shall be calculated and be made without (and free and clear of any deduction for) set-off or counterclaim.

19.3 Business Days

- (a) Any payment which is due to be made on a day that is not a Business Day shall be made on the next Business Day in the same calendar month (if there is one) or the preceding Business Day (if there is not).
- (b) During any extension of the due date for payment of any principal under paragraph (a) above, interest is payable on the principal at the rate payable on the original due date.

19.4 Currency of account

- (a) Subject to paragraphs (b) and (c) below, U.S. Dollar is the currency of account and payment for any sum due from the Borrower under any Finance Document.
- (b) Each payment in respect of costs, expenses or Taxes shall be made in the currency in which the costs, expenses or Taxes are incurred.
- (c) Any amount expressed to be payable in a currency other than U.S. Dollar shall be paid in that other currency.

19.5 Partial payments

- (a) If a payment received or recovered by the Lender under or in connection with any Finance Document is insufficient to discharge all the amounts then due and payable by the Borrower under the Finance Documents, such payment shall be applied by the Lender towards the obligations of the Borrower under the Finance Documents in the following order:
 - (i) first, in or towards payment pro rata of any unpaid fees, costs and expenses of the Lender under the Finance Documents;
 - (ii) secondly, in or towards payment pro rata of any accrued interest (other than as provided in (i) above) due but unpaid under this Agreement;
 - (iii) thirdly, in or towards payment pro rata of any principal due but unpaid under this Agreement; and
 - (iv) fourthly, in or towards payment pro rata of any other sum due but unpaid under the Finance Documents.
- (b) The Lender may at any time at its discretion vary the order set out in paragraph (a) above.
- (c) Paragraphs (a) and (b) above will override any appropriation made by the Borrower.

20. SET-OFF

The Lender may set off any matured obligation due from the Borrower under the Finance Documents (to the extent beneficially owned by the Lender) against any matured obligation owed by the Lender to the Borrower, regardless of the place of payment or currency of either obligation. If the obligations are in different currencies, the Lender may convert either obligation at a reasonable market rate of exchange in its usual course of business for the purpose of the set-off.

21. NOTICES

21.1 Communications in writing

Any communication to be made under or in connection with the Finance Documents shall be made in writing and, unless otherwise stated, may be made by fax, letter or email.

21.2 Addresses

The address, email address and fax number (and the department or officer, if any, for whose attention the communication is to be made) of each Party for any communication or document to be made or delivered under or in connection with the Finance Documents is:

- (a) in the case of the Borrower, that identified with its name on the signature page below; and
- (b) in the case of the Lender, that identified with its name on the signature page below,

or any substitute address, email address and fax number or department or officer as one Party may notify to each other Party by not less than 5 (five) Business Days' notice.

21.3 Delivery

- (a) Subject to paragraph (b) below, any communication or document made or delivered by one person to another under or in connection with the Finance Documents will be effective:
 - (i) if by way of fax, only when received in legible form; or
 - (ii) if by way of letter, only when it has been left at the relevant address or five Business Days after being deposited in the post postage prepaid in an envelope addressed to it at that address;
 - (iii) if by way of email, one hour after the time it was sent to the email address referred to in Clause 21.2.

and, if a particular department or officer is specified as part of its address details provided under Clause 21.2 (*Addresses*), if addressed to that department or officer.

- (b) Any communication or document to be made or delivered to a Party will be effective only when actually received by that Party and then only if it is expressly marked for the attention of the department or officer identified with that applicable Party's signature below (or any substitute department or officer as that relevant Party shall specify for this purpose).

21.4 English language

- (a) Any notice given under or in connection with any Finance Document must be in English.
- (b) All other documents provided under or in connection with any Finance Document must be:
 - (i) in English; or
 - (ii) if not in English, and if so required by the Lender, accompanied by a certified English translation and, in this case, the English translation will prevail unless the document is a constitutional, statutory or other official document.

22. CALCULATIONS AND CERTIFICATES

22.1 Accounts

In any litigation or arbitration proceedings arising out of or in connection with this Agreement, the entries made in the accounts maintained by the Lender are conclusive evidence of the matters to which they relate unless there is gross and manifest error.

22.2 Certificates and determinations

Any certification or determination by the Lender of a rate or amount under this Agreement is, in the absence of manifest error, conclusive evidence of the matters to which it relates.

22.3 Day count convention

Any interest, commission or fee accruing under this Agreement will accrue from day to day and is calculated on the basis of the actual number of days elapsed and a year of 360 days or, in any case where the practice in the market differs, in accordance with that market practice.

23. PARTIAL INVALIDITY

If, at any time, any provision of this Agreement is or becomes illegal, invalid or unenforceable in any respect under any law of any jurisdiction, neither the legality, validity or enforceability of the remaining provisions nor the legality, validity or enforceability of such provision under the law of any other jurisdiction will in any way be affected or impaired.

24. REMEDIES AND WAIVERS

No failure to exercise, nor any delay in exercising, on the part of the Lender, any right or remedy under this Agreement shall operate as a waiver, nor shall any single or partial exercise of any right or remedy prevent any further or other exercise or the exercise of any other right or remedy. The rights and remedies provided in this Agreement are cumulative and not exclusive of any rights or remedies provided by law.

25. AMENDMENTS AND WAIVERS

Any term of this Agreement may be amended or waived only in writing by the Borrower and the Lender.

26. COUNTERPARTS

This Agreement may be executed in any number of counterparts, and this has the same effect as if the signatures on the counterparts were on a single copy of this Agreement.

SECTION 10
GOVERNING LAW AND DISPUTE RESOLUTION

27. GOVERNING LAW

This Agreement is governed by the laws of Hong Kong.

28. ENFORCEMENT

- (a) The courts of Hong Kong have exclusive jurisdiction to settle any dispute arising out of or in connection with this Agreement (including a dispute regarding the existence, validity or termination of this Agreement) (a “**Dispute**”).
- (b) The Parties agree that the courts of Hong Kong are the most appropriate and convenient courts to settle Disputes and accordingly no Party will argue to the contrary.
- (c) This Clause 28 is for the benefit of both Parties. As a result, each Party shall not be prevented from taking proceedings relating to a Dispute in any other courts with jurisdiction. To the extent allowed by law, each Party may take concurrent proceedings in any number of jurisdictions.

This Agreement has been entered into on the date stated at the beginning of this Agreement.

SCHEDULE 1
CONDITIONS PRECEDENT

1. The Borrower

- (a) A copy of the constitutional documents of the Borrower, amended in a manner satisfactory to the Lender.
- (b) A copy of a resolution of the board of directors of the Borrower:
 - (i) approving the terms of, and the transactions contemplated by, the Finance Documents to which it is a party and resolving that it execute the Finance Documents;
 - (ii) authorising a specified person or persons to execute the Finance Documents on its behalf; and
 - (iii) authorising a specified person or persons, on its behalf, to sign and/or despatch all documents and notices (including the Utilisation Request) to be signed and/or despatched by it under or in connection with the Finance Documents.
- (c) A specimen of the signature of each person authorised by the resolutions referred to in paragraph (b) above.
- (d) A copy of a unanimous resolution of all the holders of the issued shares in the Borrower, approving the execution and the terms of, and the transactions contemplated by, the Finance Documents.
- (e) A certificate from the Borrower (signed by a director) confirming that borrowing the Commitment would not cause any borrowing or similar limit binding on it to be exceeded.
- (f) A certificate of an authorised signatory of the Borrower certifying that each copy document relating to it specified in this Schedule 1 (*Conditions Precedent*) is correct, complete and in full force and effect as at a date no earlier than the date of this Agreement.

2. Other documents and evidence

A copy of any other authorisation or other document, opinion or assurance which the Lender reasonably considers to be necessary or desirable in connection with the entry into and performance of the transactions contemplated by any Finance Document or for the validity and enforceability of any Finance Document.

**SCHEDULE 2
UTILISATION REQUEST**

From: [Borrower]

To: [Lender]

Dated:

Dear Sirs

**[Borrower] – [] Facility Agreement
dated ____ [] (the “Facility Agreement”)**

1. We refer to the Facility Agreement. This is a Utilisation Request. Terms defined in the Facility Agreement shall have the same meaning in this Utilisation Request.
2. We wish to borrow the Loan on the following terms:

Proposed Utilisation Date: [] (or, if that is not a Business Day, the next Business Day)

Amount: US\$ []
3. We confirm that each condition specified in Clause 4.2 (*Further conditions precedent*) is satisfied on the date of this Utilisation Request.
4. The proceeds of the Loan should be credited direct to [account].
5. This Utilisation Request is irrevocable.

Yours faithfully

.....
authorised signatory for
[Borrower]

SIGNATURE PAGE

Borrower

For and on behalf of
CHIZZ (HK) LIMITED
香港小川互娱有限公司

By: /s/ Li Jinbo
Authorized Signature

Address: Room 407, Taixing Building, No.11 East Huayuan Road, Haidian District, Beijing, China (北京市海淀区花园东路11号泰兴大厦407)

Attention: Zhangliang Tang

Telephone: *****

Email: *****

Lender

For and on behalf of
Xunlei Network Technologies Limited

By: /s/ Zhang Yubo
Authorized signature

Address:

Attention:

Telephone:

Facsimile:

Email:

Supplementary Agreement to Proprietary Technology License Agreement

This Supplementary Agreement to the Licensing Proprietary Technology Agreement (hereinafter "**Supplementary Agreement**") is made on March 1, 2022 by and between the following parties:

- (1) **Giganology (Shenzhen) Ltd.**, a wholly foreign owned enterprise duly incorporated and validly existing under the laws of the PRC, with the registered address located at Room 8, 1AA10 Building T3, No. 011 Gaoxin South Seventh Road, Gaoxin Community, Yuehai Street, Nanshan District, Shenzhen;
- (2) **Shenzhen Xunlei Networking Technologies Co., Ltd.**, a limited liability company established and existing under laws of the PRC, with registered address located at 21F, Block B, Building 12, Shenzhen Bay Science and Technology Ecological Park, Nanshan District, Shenzhen, Guangdong, PRC. ("**Licensee**").

WHEREAS:

The *Licensing Proprietary Technology Agreement* (hereinafter "**Original License Agreement**") signed on March 1, 2012 will expire on February 28, 2022, the parties hereby conclude the Supplementary Agreement as follows:

1. Both parties agree to extend the term of validity of the Original License Agreement for another ten (10) years that will expire on February 29, 2032. Both parties also agree that, upon expiry of the term of validity mentioned above, this Supplemental Agreement will be renewed automatically for ten (10) years consecutively if Party A does not raise any written objection, until it is finally terminated in writing by Party A.
2. This Supplementary Agreement shall become effective as of the date of signature first written above. It shall be supplemental to and have the equal legal effect with the Original License Agreement. This Supplementary Agreement shall be made in quadruplicates, two of which shall be held by each party.

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This page is the signing page of the Supplement Agreement to the Proprietary Technology License Agreement.

Licensor: Giganology (Shenzhen) Ltd.

By: /s/ Wu Kening _____
Legal representative (Signature and Seal)
/s/Seal of Giganology (Shenzhen) Ltd.

Licensee : Shenzhen Xunlei Networking Technologies Co., Ltd.

By: /s/ Wu Kening _____
Legal representative (Signature and Seal)
/s/Seal of Shenzhen Xunlei Networking Technologies Co., Ltd.

Power of Attorney

I, Zou Shenglong, the shareholder of Shenzhen Xunlei Networking Technologies Co., Ltd. ("**Shenzhen Xunlei**") holding a total of 76% equity thereof, agree to authorize Giganology (Shenzhen) Co., Ltd. ("**Giganology Shenzhen**") to exercise the shareholder rights that I have corresponding to the 76% equity of Shenzhen Xunlei. I hereby irrevocably authorize the Authorized Person to exercise the following rights within the valid period of this Power of Attorney:

The Authorized Person being authorized to fully exercise, on my behalf and in my name as a shareholder holding 76% equity of Shenzhen Xunlei, and in accordance with the laws and the articles of association, all the shareholder rights that I am entitled to, including but not limited to: the right to propose convening the shareholders' meetings, to accept any notices of the convening and proceedings of the shareholders' meetings, to attend the shareholders' meeting of Shenzhen Xunlei and exercise all voting rights as a shareholder holding 76% equity thereof (including acting as my authorized representative at the shareholders' meetings of Shenzhen Xunlei to designate and appoint the directors, general manager, chief financial officer and other officers of Shenzhen Xunlei and to decide on such matters as dividends), to sell or transfer the 76% equity of Shenzhen Xunlei held by me.

The Authorized Person shall have the right to designate any individuals appointed by its Board of Directors (or Executive Director) to exercise the rights granted to it under this Power of Attorney.

Unless the Business Operation Agreement jointly signed by Giganology Shenzhen, Shenzhen Xunlei, Zou Shenglong, Cheng Hao, Wang Fang, Shi Jianming and Guangzhou Shulian Information Investment Co., Ltd. is terminated earlier for any reasons, this Power of Attorney shall remain valid for ten years as from the date when it is signed. Upon expiry of this Power of Attorney, if so requested by Giganology Shenzhen, I shall extend the valid period of this Power of Attorney according to the requirements of Giganology Shenzhen.

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Authorized by: Zou Shenglong

By: /s/ Zou Shenglong

Date: May 11, 2021

Authorized Person: Giganology (Shenzhen) Co., Ltd.

Legal Representative/Authorized Representative (Signature under company seal)

By: /s/ Zou Shenglong

/s/Seal of Giganology (Shenzhen) Co., Ltd.

Date: May 10, 2021

Power of Attorney

I, Cheng Hao, the shareholder of Shenzhen Xunlei Networking Technologies Co., Ltd. ("**Shenzhen Xunlei**") holding a total of 8.3% equity thereof, agree to authorize Giganology (Shenzhen) Co., Ltd. ("**Giganology Shenzhen**") to exercise the shareholder rights that I have corresponding to the 8.3% equity of Shenzhen Xunlei. I hereby irrevocably authorize the Authorized Person to exercise the following rights within the valid period of this Power of Attorney:

The Authorized Person being authorized to fully exercise, on my behalf and in my name as a shareholder holding 8.3% equity of Shenzhen Xunlei, and in accordance with the laws and the articles of association, all the shareholder rights that I am entitled to, including but not limited to: the right to propose convening the shareholders' meetings, to accept any notices of the convening and proceedings of the shareholders' meetings, to attend the shareholders' meeting of Shenzhen Xunlei and exercise all voting rights as a shareholder holding 8.3% equity thereof (including acting as my authorized representative at the shareholders' meetings of Shenzhen Xunlei to designate and appoint the directors, general manager, chief financial officer and other officers of Shenzhen Xunlei and to decide on such matters as dividends), to sell or transfer the 8.3% equity of Shenzhen Xunlei held by me.

The Authorized Person shall have the right to designate any individuals appointed by its Board of Directors (or Executive Director) to exercise the rights granted to it under this Power of Attorney.

Unless the Business Operation Agreement jointly signed by Giganology Shenzhen, Shenzhen Xunlei, Zou Shenglong, Cheng Hao, Wang Fang, Shi Jianming and Guangzhou Shulian Information Investment Co., Ltd. is terminated earlier for any reasons, this Power of Attorney shall remain valid for ten years as from the date when it is signed. Upon expiry of this Power of Attorney, if so requested by Giganology Shenzhen, I shall extend the valid period of this Power of Attorney according to the requirements of Giganology Shenzhen.

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Authorized by: Cheng Hao

By: /s/ Cheng Hao

Date: May 10, 2021

Authorized Person: Giganology (Shenzhen) Co., Ltd.

Legal Representative/Authorized Representative (Signature under company seal)

By: /s/ Zou Shenglong

/s/Seal of Giganology (Shenzhen) Co., Ltd.

Date: May 10, 2021

Power of Attorney

I, Wang Fang, the shareholder of Shenzhen Xunlei Networking Technologies Co., Ltd. ("**Shenzhen Xunlei**") holding a total of 0.7% equity thereof, agree to authorize Giganology (Shenzhen) Co., Ltd. ("**Giganology Shenzhen**") to exercise the shareholder rights that I have corresponding to the 0.7% equity of Shenzhen Xunlei. I hereby irrevocably authorize the Authorized Person to exercise the following rights within the valid period of this Power of Attorney:

The Authorized Person being authorized to fully exercise, on my behalf and in my name as a shareholder holding 0.7% equity of Shenzhen Xunlei, and in accordance with the laws and the articles of association, all the shareholder rights that I am entitled to, including but not limited to: the right to propose convening the shareholders' meetings, to accept any notices of the convening and proceedings of the shareholders' meetings, to attend the shareholders' meeting of Shenzhen Xunlei and exercise all voting rights as a shareholder holding 0.7% equity thereof (including acting as my authorized representative at the shareholders' meetings of Shenzhen Xunlei to designate and appoint the directors, general manager, chief financial officer and other officers of Shenzhen Xunlei and to decide on such matters as dividends), to sell or transfer the 0.7% equity of Shenzhen Xunlei held by me.

The Authorized Person shall have the right to designate any individuals appointed by its Board of Directors (or Executive Director) to exercise the rights granted to it under this Power of Attorney.

Unless the Business Operation Agreement jointly signed by Giganology Shenzhen, Shenzhen Xunlei, Zou Shenglong, Cheng Hao, Shi Jianming, Wang Fang and Guangzhou Shulian Information Investment Co., Ltd. is terminated earlier for any reasons, this Power of Attorney shall remain valid for ten years as from the date when it is signed. Upon expiry of this Power of Attorney, if so requested by Giganology Shenzhen, I shall extend the valid period of this Power of Attorney according to the requirements of Giganology Shenzhen.

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[This page is the signature page of the Power of Attorney, without text]

Authorized by: Wang Fang

By: /s/ Wang Fang

Date: May 10, 2021

Authorized Person: Giganology (Shenzhen) Co., Ltd.

Legal Representative/Authorized Representative (Signature under company seal)

By: /s/ Zou Shenglong

/s/Seal of Giganology (Shenzhen) Co., Ltd.

Date: May 10, 2021

Power of Attorney

I, Shi Jianming, the shareholder of Shenzhen Xunlei Networking Technologies Co., Ltd. ("**Shenzhen Xunlei**") holding a total of 8.3% equity thereof, agree to authorize Giganology (Shenzhen) Co., Ltd. ("**Giganology Shenzhen**") to exercise the shareholder rights that I have corresponding to the 8.3% equity of Shenzhen Xunlei. I hereby irrevocably authorize the Authorized Person to exercise the following rights within the valid period of this Power of Attorney:

The Authorized Person being authorized to fully exercise, on my behalf and in my name as a shareholder holding 8.3% equity of Shenzhen Xunlei, and in accordance with the laws and the articles of association, all the shareholder rights that I am entitled to, including but not limited to: the right to propose convening the shareholders' meetings, to accept any notices of the convening and proceedings of the shareholders' meetings, to attend the shareholders' meeting of Shenzhen Xunlei and exercise all voting rights as a shareholder holding 8.3% equity thereof (including acting as my authorized representative at the shareholders' meetings of Shenzhen Xunlei to designate and appoint the directors, general manager, chief financial officer and other officers of Shenzhen Xunlei and to decide on such matters as dividends), to sell or transfer the 8.3% equity of Shenzhen Xunlei held by me.

The Authorized Person shall have the right to designate any individuals appointed by its Board of Directors (or Executive Director) to exercise the rights granted to it under this Power of Attorney.

Unless the Business Operation Agreement jointly signed by Giganology Shenzhen, Shenzhen Xunlei, Zou Shenglong, Cheng Hao, Wang Fang, Shi Jianming and Guangzhou Shulian Information Investment Co., Ltd. is terminated earlier for any reasons, this Power of Attorney shall remain valid for ten years as from the date when it is signed. Upon expiry of this Power of Attorney, if so requested by Giganology Shenzhen, I shall extend the valid period of this Power of Attorney according to the requirements of Giganology Shenzhen.

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Authorized by: Shi Jianming

By: /s/ Shi Jianming

Date: May 10, 2021

Authorized Person: Giganology (Shenzhen) Co., Ltd.

Legal Representative/Authorized Representative (Signature under company seal)

By: /s/ Zou Shenglong

/s/Seal of Giganology (Shenzhen) Co., Ltd.

Date: May 10, 2021

Power of Attorney

We, Guangzhou Shulian Information Investment Co., Ltd., the shareholder of Shenzhen Xunlei Networking Technologies Co., Ltd. ("**Shenzhen Xunlei**") holding a total of 6.7% equity thereof, agree to authorize Giganology (Shenzhen) Co., Ltd. ("**Giganology Shenzhen**") to exercise the shareholder rights that we have corresponding to the 6.7% equity of Shenzhen Xunlei. We hereby irrevocably authorize the Authorized Person to exercise the following rights within the valid period of this Power of Attorney:

The Authorized Person being authorized to fully exercise, on behalf of us and in the name of us as a shareholder holding 6.7% equity of Shenzhen Xunlei, and in accordance with the laws and the articles of association, all the shareholder rights that we are entitled to, including but not limited to: the right to propose convening the shareholders' meetings, to accept any notices of the convening and proceedings of the shareholders' meetings, to attend the shareholders' meeting of Shenzhen Xunlei and exercise all voting rights as a shareholder holding 6.7% equity thereof (including acting as our authorized representative at the shareholders' meetings of Shenzhen Xunlei to designate and appoint the directors, general manager, chief financial officer and other officers of Shenzhen Xunlei and to decide on such matters as dividends), to sell or transfer the 6.7% equity of Shenzhen Xunlei held by us.

The Authorized Person shall have the right to designate any individuals appointed by its Board of Directors (or Executive Director) to exercise the rights granted to it under this Power of Attorney.

Unless the Business Operation Agreement jointly signed by Giganology Shenzhen, Shenzhen Xunlei, Zou Shenglong, Cheng Hao, Shi Jianming, Wang Fang and Guangzhou Shulian Information Investment Co., Ltd. is terminated earlier for any reasons, this Power of Attorney shall remain valid for ten years as from the date when it is signed. Upon expiry of this Power of Attorney, if so requested by Giganology Shenzhen, we shall extend the valid period of this Power of Attorney according to the requirements of Giganology Shenzhen.

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Authorized by:
Guangzhou Shulian Information Investment Co., Ltd.

Legal Representative/Authorized Representative (Signature under company seal)

By: /s/ Yang Fei

/s/Seal of Guangzhou Shulian Information Investment Co., Ltd.

Date: May 10, 2021

Authorized Person:
Giganology (Shenzhen) Co., Ltd.

Legal Representative/Authorized Representative (Signature under company seal)

By: /s/ Zou Shenglong

/s/Seal of Giganology (Shenzhen) Co., Ltd.

Date: May 10, 2021

Technology Development and Software License Framework Agreement

This Agreement is made and entered into by and between the following Parties on January 1, 2020 in Nanshan District, Shenzhen:

Party A: **Xunlei Computer (Shenzhen) Co., Ltd.**

Legal Representative: Chen Lei

Address: Unit 22, 1/F, Group C, Qianhai Shenzhen-Hong Kong Innovation Center, 4008 Menghai Road, Qianhai Shenzhen-Hong Kong Modern Service Industry Cooperation Zone, Shenzhen

Postal Code:

Phone: ***

Party B: **Shenzhen Xunlei Networking Technologies Co., Ltd.**

Legal Representative: WU Kening

Address: 21-23/F, Block B, Building No. 12, No.18 Shenzhen Bay ECO-Technology Park Keji South Road, Yuehai Street, Nanshan District, Shenzhen

Postal Code: 518057

Phone: ***

With regard to Party A's licensing of Party B to use the Party A's licensed software and technology development, in accordance with applicable laws and regulations of the People's Republic of China, and through friendly consultations based on the principles of equality, mutual benefit and good faith, the Parties hereby enter into this Agreement and agree to be bound by it.

1 Statements, Representations and Warranties

Each Party makes the following statements, representations and warranties to the other Party:

- 1.1 It is an independent legal person duly incorporated and validly existing;
- 1.2 It is qualified to engage in the cooperation hereunder and such cooperation is in line with its business scope;
- 1.3 Its authorized representative has been duly authorized to sign this Agreement on its behalf;
- 1.4 It has the ability to perform its obligations hereunder and its behaviors of performing its obligations shall not violate any restrictions imposed by applicable laws, nor shall they infringe upon the legitimate rights and interests of any third party;

1.5 Any Party's violation of the above representations, warranties and representations shall be deemed to have violated the clauses of this Agreement and the breaching Party shall bear liabilities for breach of contract in accordance with this Agreement.

2 Definition & Interpretation

Unless otherwise defined in this Agreement, the following terms in this Agreement shall have the following meanings:

2.1 "Licensed Software and Technology development" means the software or technology development product or software and technology development product licenses that Party A licenses Party B to use with the licensed use method in accordance with the clauses of this Agreement, its annexes and supplementary agreements; the name, version and other information of the licensed software and technology development are set forth in Annex 1;

2.2 "Licensed Use Method" refers to the specific method by which Party A licenses Party B to use Party A's software and technology development products in accordance with the clauses of this Agreement, its annexes and supplementary agreements.

3 Software License

3.1 License recipient and licensed content:

Party A grants Party B a non-exclusive and limited right to use the licensed software and technology development:

3.1.1 Party A licenses Party B to release the licensed software and technology development for free on the CDs or websites that it distributes its own products;

3.1.2 Party A licenses Party B to promote and publicize the licensed software and technology development in the market nationwide with original name and mode;

3.1.3 Party A licenses Party B to use Party A's enterprise name, trademark, logo and related trade name of the licensed software and technology development in relevant marketing activities for the purpose of promoting the licensed software and technology development;

3.1.4 For the above licensed contents, Party B shall have no right to sublicense, and shall not use the licensed software and technology development beyond the scope of license.

3.2 Scope of licensed territory: Mainland of People's Republic of China (excluding Hong Kong SAR, Macao SAR, and Taiwan Province)

3.3 Term of License: Five years, from January 1, 2020 to December 31, 2024.

4 Technical Support and Service

4.1 During the term of this Agreement, Party A agrees, as Party B's technical support and services provider, to provide Party B with relevant technical support and services in accordance with the conditions of this Agreement to ensure the effective use of the licensed software and

technology development by Party B. Major services include but are not limited to the following:

- 4.1.1 Party A shall take responsibility for monitoring, debugging and guiding the use of the licensed software and technology development. Party A shall provide product information consulting and other services to Party B's clients through guiding service channels;
 - 4.1.2 Party A shall provide technical consultation and responses for technical questions raised by Party B on the licensed software and technology development in accordance with the business needs of Party B;
 - 4.1.3 Party A shall provide solutions to information security issues arising from Party B's use of the licensed software and technology development through the designated product service back-end.
 - 4.1.4 Party A shall provide research and development services based on the needs of Party B.
- 4.2 Party A shall complete relevant technical support services within the agreed period, and the results shall meet the standards specified by Party B.

5 Fees & Payment

- 5.1 Party B shall pay software and technology development licensing fees and technical service fee to Party A in consideration of the license of software and technology development and technical support and service hereunder.
- 5.2 The Parties agree that the software and technology development licensing fee and technical service fee payable by Party B to Party A shall be settled based on the amount actually incurred during the performance of this Agreement and recognized by both Parties. Before June 30 of the year following the completion of the annual service, Party A shall provide Party B with a settlement sheet of the actually incurred software and technology development licensing fee and technical service fee for the year of service. Party B shall confirm within 30 days upon receipt of the settlement sheet provided by Party A. Failure of Party B to make confirmation or raise objection prior to the aforesaid time shall be deemed as Party B's confirmation. After confirming the settlement sheet provided by Party A, Party B shall pay Party A the annual software and technology development licensing fee and technical service fee before December 31 of the year following the completion of the annual service.
- 5.3 The Parties agree that the maximum amount of aforesaid software and technology development licensing fee and technical service fee shall be RMB Two Hundred Million (RMB 200,000,000.00) per year. In case of any change in objective circumstances, the Parties agree to separately negotiate the price on a fair and reasonable basis.
- 5.4 Party A's Account Bank, Name and Number:
- Account Bank: China Merchants Bank Shekou Sub-branch
- Account Name: Xunlei Computer (Shenzhen) Co., Ltd.
- Account Number: ***

6 Rights and Obligations of the Parties

6.1 Rights and Obligations of Party A:

- 6.1.1 The intellectual property and related rights in and to the licensed software, technology development, other products and services, enterprise name, trademark, trade name and others provided by Party A shall belong to Party A.
- 6.1.2 Party A warrants that the licensed software and technology development are legitimate and do not infringe upon any third party's copyright and trade secret.
- 6.1.3 Party A undertakes to provide Party B with technical support and services on time with guaranteed quality based on Party B's demands and shall respond to Party B's technical support requests within 48 hours.

6.2 Rights and Obligations of Party B:

- 6.2.1 Party B warrants that its signing of this Agreement will not violate any legal document binding on it, and will not infringe upon the legitimate rights and interests of any third party in the process of using the licensed software and technology development and will not cause Party A to bear any liability to any third party.
- 6.2.2 Party B warrants that it will not reverse engineer, decompile or disassemble the licensed software and technology development and will not counterfeit or plagiarize the same or similar software design program, in whole or in part, from the software.
- 6.2.3 Party B undertakes that it will not delete or modify Party A's statement regarding ownership or intellectual property rights of the licensed software and technology development.
- 6.2.4 Party B shall reasonably use the licensed software in strict accordance with the scope of license, method of use and time specified herein.

7 Intellectual Property Rights (IPR)

7.1 The Parties agree that Party A has sole ownership of the following assets arising from the technical support services provided by Party A to Party B:

- 7.1.1 Texts, images, layout designs and any other graphic designs or information contents created or produced by Party A, except for those whose copyright belongs to a third party;
- 7.1.2 Source code, software and related data involved in the project developed by Party A for Party B;
- 7.1.3 Any other tangible or intangible assets arising or derived from the technical support services provided hereunder by Party A to Party B, unless those whose ownership belongs to Party B based on clear justification.

7.2 Except as set forth herein, neither Party shall use or copy the other Party's enterprise name, trademark, trade name, domain name, program name, website name, logo or any other IPR-bearing content without the other Party's prior written consent.

7.3 If either Party needs to use the other Party's name in publicity material, business card, website construction and any other aspect, the formal written authorization must be obtained

from the other Party. Neither Party shall carry out advertising and commercial activities in the name of the other Party without the other Party's written authorization.

7.4 Neither Party shall act in a misleading or confusing manner in publicity using the name of the other Party with authorization that others mistake either Party for the other Party's subsidiary, branch, affiliate or any other unit with substantive association.

7.5 If either Party violates the above provisions and constitutes infringement on the other Party's name, trademark, trade name, brand, domain name or website, the other Party has the right to investigate the tort liability according to laws and regulations.

7.6 Infringement on IPR

7.6.1 During the term of this Agreement, Party A shall defend Party B against any valid lawsuit against Party B arising from infringement upon a third party's IPR relating to Party A's licensed software and technology development and shall be liable for compensating Party B for the direct losses finally decided by the competent court in the jurisdiction of China, provided that:

- a) The infringement is caused by Party A's fault;
- b) Party B immediately informs Party A of the third party's infringement claim and all necessary information; and
- c) Party B authorizes Party A in writing to fully control and handle the IPR infringement lawsuit. Without prior written consent of Party A, Party B shall not admit any liability, reach any settlement or make any compromise in respect of the IPR claim.

7.6.2 Party B shall use its best endeavors to assist Party A in handling a third party's infringement claim and lawsuit, including but not limited to providing relevant materials as evidence.

7.6.3 When such claim has occurred or may occur, Party A may take the following remedial actions:

- a) Obtain authorization from others to enable Party B to legally enjoy the rights acquired hereunder;
- b) Modify the infringing portion without impairing the function or performance so that the licensed software, technology development or service no longer infringes other's IPR and complies with the clauses hereof.
- c) Replace with other licensed software, technology development and service that complies with laws and the clauses hereof, or accept the return of infringing licensed software and technology development and cancellation of the infringing service.

8 Term and Termination of Agreement

8.1 Term of Agreement: This Agreement shall be valid from January 1, 2020 to December 31, 2024.

8.2 Termination of Agreement: If Party B exceeds the licensed area, licensed content, licensed use method and/or licensed term stipulated herein, Party A may, by giving a notice to Party B, immediately terminate this Agreement and reserves the right to pursue relevant legal liabilities of Party B.

8.3 In case of any change of circumstances that may affect the performance or purpose fulfillment hereof, Party A may terminate this Agreement by giving Party B a written notice 15 days in advance, and this Agreement will be automatically terminated.

9 Liabilities for Breach of Contract

9.1 Unless otherwise agreed herein, if either Party, directly or indirectly, breaches any of the clauses hereof, refuses or delays fulfillment of or not completely undertakes any of its obligations herein, such breach, refusal, delay or incomplete fulfillment shall constitute breach of this Agreement, in which case the non-breaching Party shall have the right to deliver a written notice to the breaching Party demanding correction and complete, effective and timely measures to remove any and all results arising thereof, and to cover losses that the non-breaching Party suffers therefrom. If the breaching Party fails to correct its breach within three working days after receiving the said notice, the non-breaching Party shall have the right to terminate this Agreement in advance by giving a written notice.

9.2 Unless otherwise agreed herein, if the non-breaching Party makes rational and objective assessment following the breach hereof and justifies that such breach has made it impossible in any case to realize the purpose of this Agreement, the non-breaching Party shall have the right to terminate this Agreement, and the breaching Party shall compensate the non-breaching Party for all direct losses arising therefrom.

10 Dispute Settlement & Applicable Law

10.1 Any dispute arising from the performance hereof shall be settled by the Parties through friendly negotiation. In the event that such dispute cannot be settled through negotiation, either Party may refer the dispute to Nanshan District People's Court of Shenzhen.

10.2 The laws of the People's Republic of China shall apply to the execution, entry into force, interpretation, performance and dispute settlement of this Agreement.

11 Confidentiality

11.1 Without the written consent of the other Party, either Party shall not disclose any contents of the clauses hereof, the execution and performance hereof, and any information of the other Party and its affiliates obtained by execution and performance hereof to a third party (except as required by relevant laws, regulations, governmental authorities, stock exchanges or other regulatory authorities, and except for the legal, accounting, commercial and other advisors and authorized employees of the Parties).

11.2 The confidentiality obligation hereunder shall be permanent unless mandated by the relevant government authority or judicial authority, or authorization of use by its adviser or such confidential information is declared of disclosure by the information owner.

12 Force Majeure

12.1 “Force majeure” refers to an event that neither Party A nor Party B can reasonably control, foresee or avoid even if foreseen, which hinders, affects or delays either Party’s performance of all or part of its obligations hereunder. Such events include but are not limited to government action, natural disaster, war, strike, hacker attack, computer virus (Trojan horse, worm, etc.), and technical adjustment of telecommunications agency or any other similar events.

12.2 In case of a force majeure event, the affected Party shall promptly and fully notify the other Party in writing of the likely impact of the event on this Agreement, and shall, within a reasonable period (30 days upon occurrence of the event), provide details of the event and relevant proof issued by relevant organizations explaining that the affected Party is unable to perform all or part of its obligations hereunder.

12.3 If any or all clauses of this Agreement cannot be performed or delayed due to the said force majeure events, Party A and Party B shall not bear any liability for breach of contract.

13 Notice & Delivery

13.1 Any notice, document or application to be given under this Agreement by either Party to the other Party shall be in writing and delivered through registered mail, express mail, email or by hand.

13.2 Any notice, document or application shall be deemed to have been served: (a) in case of delivery by email, at the time of successful transmission indicated by the system; (b) in case of delivery by registered mail, the 5th day from the date of posting; (c) in case of hand delivery (including express mail), on the date of signing by the receiving Party. However, this does not exclude that there is evidence showing the addressee has not actually received the notice, document or application due to objective reasons.

13.3 Any notice, document or application given hereunder shall be delivered using the following contact information or other contact information changed by the Parties in writing:

Party A: **Xunlei Computer (Shenzhen) Co., Ltd.**

Address: Unit 22, 1/F, Group C, Qianhai Shenzhen-Hong Kong Innovation Center, 4008 Menghai Road, Qianhai Shenzhen-Hong Kong Modern Service Industry Cooperation Zone, Shenzhen

Postal Code:

Tel: ***

Party B: **Shenzhen Xunlei Networking Technologies Co., Ltd.**

Postal Code: 518057
Tel: ***

14 Amendment

Unless otherwise specified, neither Party shall unilaterally amend this Agreement after its entry into force. Any amendment to this Agreement shall be made in writing, and shall not take effect until it is signed by the authorized representatives of the Parties and stamped with their official seals or their special seals filed with the public security authority. In case of any conflict, ambiguity or inconsistency between any clause of this Agreement amended by the Parties and any provision of other clauses or annexes, the amended clause or annex agreed by the Parties shall prevail.

15 Miscellaneous

- 15.1 All annexes to this Agreement are an integral part of this Agreement. This Agreement and its annexes constitute the complete agreement reached by the Parties on the subject matter specified in this Agreement and replace all previous oral and written discussions, negotiations, notices, memoranda, documents, agreements, contracts and communications related to the subject matter.
- 15.2 If, for any reason (including but not limited to violation of applicable laws and regulations), any clause of this Agreement becomes invalid or unenforceable in whole or in part, the validity, legality and enforceability of the remaining clauses shall not in any way be affected.
- 15.3 This Agreement is written and executed in Chinese.
- 15.4 Neither Party shall assign or transfer, in part or in whole, its rights or obligations hereunder without the prior written consent of the other Party.
- 15.5 This Agreement is made in quadruplicate, with Party A and Party B each holding two copies and all copies having the same legal effect.
- 15.6 Matters not covered in this Agreement shall be settled by the Parties through negotiation.

(The remainder is intentionally left blank)

Party A: Xunlei Computer (Shenzhen) Co., Ltd. (Seal)

Party B: Shenzhen Xunlei Networking Technologies Co., Ltd. (Seal)

Legal / Authorized Representative:

Legal / Authorized Representative:

/s/ seal of Xunlei Computer (Shenzhen) Co., Ltd.

/s/ seal of Shenzhen Xunlei Networking Technologies Co., Ltd.

Date of Signing: January 1, 2020

Date of Signing: January 1, 2020

Annex 1 Name, Version and Other Basic Information of Licensed Software and Patents

Xunlei Wireless Download Software [Abbr.: Wireless Download] V1.4	V1.4	Software copyright	RZDZ No. 2094132
Xunlei Home Cloud Software (Android) [Abbr.: Home Cloud] V1.2.13	V1.2.13	Software copyright	RZDZ No. 1585073
Xunlei Home Cloud Software (iOS) [Abbr.: Home Cloud] V1.1	V1.1	Software copyright	RZDZ No. 1584744
Xunlei Home Cloud Software (PC) V1.0.0.13	V1.0.0.13	Software copyright	RZDZ No. 1584750
Youliao Software (iOS) [Abbr.: Youliao] V5.3	V5.3	Software copyright	RZDZ No. 1586940
Xunlei Upstream Acceleration Software (Android) [Abbr.: Upstream Acceleration] V1.0.0	V1.0.0	Software copyright	RZDZ No. 1588625
Commercial Cloud Storage Platform [Abbr.: Cloud Storage] V1.0.0	V1.0.0	Software copyright	RZDZ No. 1610792
Xunlei Xiazaibao Software (Firmware) [Abbr.: Xiazaibao firmware] 5.002.292	5.002.292	Software copyright	RZDZ No. 1612069
Mobile Xunlei Android Software [Abbr.: Mobile Xunlei] V5.66.2.5710	5.66.2.5710	Software copyright	RZDZ No. 3321763
LiveU - Live Shooting Software [Abbr.: LiveU] V1.3.4	1.3.4	Software copyright	RZDZ No. 3326956
Mobile Xunlei Software (iOS) [Abbr.: Mobile Xunlei] V3.1.0	3.1.0	Software copyright	RZDZ No. 3042958
Mobile Xunlei Software (Android) [Abbr.: Mobile Xunlei] V4.0.2	4.0.2	Software copyright	RZDZ No. 3043274
Xunlei Mail Software (Android) [Abbr.: Xunlei Mail] V2.3.0.14	V2.3.0.14	Software copyright	RZDZ No. 3370158
Xunlei Information Security Review Platform Software [Abbr. Security Review Platform] V2.0	V2.0	Software copyright	RZDZ No. 3370152
Sight_ Overseas Website Acceleration Browser Software [Abbr. Sight] V1.0.3.10.64	V1.0.3.10.64	Software copyright	RZDZ No. 3370148
Xunshiyou Software (iOS) V1.6.3	V1.6.3	Software copyright	RZDZ No. 3370113
Xunlei Data Transmission Component Software V1.0	V1.0	Software copyright	RZDZ No. 3370101
Xunlei All-connection System V2.10.25.830.55	V2.10.25.830.55	Software copyright	RZDZ No. 3370106

Data Transmission Method and System Based on Real-time Dynamic Route Planning	Invention	Patent Application No. 201710885042.1
An Object Recommendation Method and Device	Invention	Patent Application No. 201710816641.8
A Video Recommendation Method and Device	Invention	Patent Application No. 201710997564.0
An Application Program Search Method and Device	Invention	Patent Application No. 201310246630.2
A Method, Equipment, Device, System and Storage Medium for Intercepting Download	Invention	Patent Application No. 201811612176.7
Player-Based Cache Speed Determination Method, Device, System and Storage Medium	Invention	Patent Application No. 201811612155.5
A Dylib Reference Deletion Method and Related Device	Invention	Patent Application No. 201811612173.3
A Data Compression and Decompression Method, Device, System and Data Processing System	Invention	Patent Application No. 201910156393.8
A Mixing Method of Livestream Software	Invention	Patent Application No. 201910098731.7
A Page Refresh Method for Android Application	Invention	Patent Application No. 201910120137.3

List of Significant Subsidiaries and Consolidated Entities

Name	Place of Incorporation
Subsidiaries	
Giganology (Shenzhen) Co., Ltd.	PRC
Xunlei Network Technologies Limited	British Virgin Islands
Xunlei Network Technologies Limited	Hong Kong
Xunlei Computer (Shenzhen) Co., Ltd.	PRC
Funi. Pte. Ltd.	Singapore
Variable Interest Entity	
Shenzhen Xunlei Networking Technologies, Co., Ltd.	PRC
Subsidiaries of Variable Interest Entity	
Shenzhen Onething Technologies Co., Ltd.	PRC
Xunlei Games Development (Shenzhen) Co., Ltd.	PRC
Shenzhen Xunlei Wangwenhua Co., Ltd.	PRC
Jiangxi Node Technology Services Co., Ltd.	PRC
Beijing Xunjing Technology Co., Ltd.	PRC
Henan Tourism Information Co., Ltd.	PRC

Certification by the Principal Executive Officer**Pursuant to Section 302 of the Sarbanes-Oxley Act of 2002**

I, Jinbo Li, certify that:

1. I have reviewed this annual report on Form 20-F of Xunlei Limited;
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(s) 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(s) and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the company's auditors and the audit committee of the company's board of directors (or persons performing the equivalent functions):
 - (a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the company's ability to record, process, summarize and report financial information; and
 - (b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the company's internal control over financial reporting.

Date: April 28, 2022

By: /s/ Jinbo Li
Name: Jinbo Li
Title: Chief Executive Officer

Certification by the Principal Financial Officer
Pursuant to Section 302 of the Sarbanes-Oxley Act of 2002

I, Naijiang (Eric) Zhou, certify that:

1. I have reviewed this annual report on Form 20-F of Xunlei Limited;
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(s) 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(s) and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the company's auditors and the audit committee of the company's board of directors (or persons performing the equivalent functions):
 - (a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the company's ability to record, process, summarize and report financial information; and
 - (b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the company's internal control over financial reporting.

Date: April 28, 2022

By: /s/ Naijiang (Eric) Zhou
Name: Naijiang (Eric) Zhou
Title: Chief Financial Officer

Certification by the Principal Executive Officer
Pursuant to Section 906 of the Sarbanes-Oxley Act of 2002

In connection with the annual report of Xunlei 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, Jinbo Li, Chief Executive Officer of the Company, hereby certify, pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, that to my knowledge:

- (1) The Report fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934; and
- (2) The information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

Date: April 28, 2022

By: /s/ Jinbo Li
Name: Jinbo Li
Title: Chief Executive Officer

Certification by the Principal Financial Officer
Pursuant to Section 906 of the Sarbanes-Oxley Act of 2002

In connection with the annual report of Xunlei 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, Naijiang (Eric) Zhou, Chief Financial Officer of the Company, hereby certify, pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, that to my knowledge:

- (1) The Report fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934; and
- (2) The information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

Date: April 28, 2022

By: /s/ Naijiang (Eric) Zhou
Name: Naijiang (Eric) Zhou
Title: Chief Financial Officer



Our ref: VSL/660874-000001/22158170v2
 Tel no.: +852 3690 7513
 Email: vivian.lee@maples.com

Xunlei Limited
 21-23/F, Block B, Building No.12
 No.18 Shenzhen Bay ECO-Technology Park, Keji South Road, Yuehai Street
 Nanshan District, Shenzhen, 518057
 The People's Republic of China

28 April 2022

Dear Sirs

Xunlei Limited

We have acted as legal advisers as to the laws of the Cayman Islands to Xunlei Limited, an exempted company incorporated with limited liability in the Cayman Islands (the "**Company**"), in connection with the filing by the Company with the United States Securities and Exchange Commission (the "**SEC**") of an annual report on Form 20-F for the year ended 31 December 2021 ("**Form 20-F**").

We hereby consent to the reference of our name under the heading "Item 10. Additional Information – E. Taxation – Cayman Islands Taxation" and "Item 16G. Corporate Governance" in the Form 20-F, and further consent to the incorporation by reference into the Registration Statement on Form S-8 (File No. 333-200633) filed on 28 November 2014 and the Registration Statement on Form S-8 (File No. 333-257701) filed on 6 July 2021 of the summary of our opinion under these headings in the Form 20-F. We also consent to the filing of this consent letter with the SEC as an exhibit to the Form 20-F.

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

/s/ Maples and Calder (Hong Kong) LLP
 Maples and Calder (Hong Kong) LLP

Maples and Calder (Hong Kong) LLP

26th Floor Central Plaza 18 Harbour Road Wanchai Hong Kong
 Tel +852 2522 9333 Fax +852 2537 2955 maples.com

Resident Hong Kong Partners: Everton Robertson (Cayman Islands), Michelle Lloyd (Ireland), Aisling Dwyer (British Virgin Islands)
 Ann Ng (Victoria (Australia)), John Trehey (New Zealand), Matthew Roberts (Western Australia (Australia)), Nick Harrold (England and Wales)
 Terence Ho (New South Wales (Australia)), L.K. Kan (England and Wales), W.C. Pao (England and Wales), Richard Spooner (England and Wales), Sharon Yap (New Zealand)
 Nick Stern (England and Wales), Juno Huang (Queensland (Australia)), Karen Pallas (Victoria (Australia)), Joscelyne Ainley (England and Wales), Andrew Wood (England and Wales)

Non-Resident Partners: Jonathan Green (Cayman Islands), Kieran Walsh (Cayman Islands)

Cayman Islands Attorneys at Law | British Virgin Islands Solicitors | Irish Solicitors



TransAsia Lawyers

Advisors on PRC & International Law

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Xunlei Limited (the “**Company**”)

21-23/F, Block B, Building No. 12
No.18 Shenzhen Bay ECO-Technology Park, Keji South Road, Yuehai Street
Nanshan District, Shenzhen, 518057
People’s Republic of China

April 28, 2022

We hereby consent to references to our name under the heading “Item 3. Key Information—D. Risk Factors—Risks Related to Our Corporate Structure” and “Item 4. Information on the Company—C. Organizational Structure—Contractual arrangements with Shenzhen Xunlei” in the Company’s annual report on Form 20-F for the year ended December 31, 2021 (the “**Annual Report**”), and further consent to the incorporation by reference of the summaries of our opinions under these headings into Xunlei Limited’s registration statement on Form S-8 (File No. 333 – 200633) that was filed on November 28, 2014 and registration statement on Form S-8 (File No. 333 – 257701) that was filed on July 6, 2021. We also consent to the filing of this consent letter with the U.S. Securities and Exchange Commission 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,
For and on behalf of

/s/ TransAsia Lawyers
TransAsia Lawyers

CONSENT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

We hereby consent to the incorporation by reference in the Registration Statements on Form S-8 (No. 333-200633 and No. 333-257701) of Xunlei Limited of our report dated April 28, 2022 relating to the financial statements and the effectiveness of internal control over financial reporting, which appears in this Form 20-F.

/s/PricewaterhouseCoopers Zhong Tian LLP

PricewaterhouseCoopers Zhong Tian LLP
Shenzhen, the People's Republic of China
April 28, 2022
