



Flowing Cloud Technology Ltd
飛天雲動科技有限公司

(Incorporated in the Cayman Islands with limited liability)

Stock Code: 6610



Global Offering

Sole Sponsor, Joint Global Coordinator, Joint Bookrunner and Joint Lead Manager



Other Joint Global Coordinators, Joint Bookrunners and Joint Lead Managers



Other Joint Bookrunners and Joint Lead Managers



Exclusive Financial Advisor



IMPORTANT

IMPORTANT: If you are in any doubt about any of the contents of this prospectus, you should obtain independent professional advice.



Flowing Cloud Technology Ltd 飛天雲動科技有限公司

(Incorporated in the Cayman Islands with limited liability)

GLOBAL OFFERING

Number of Offer Shares under the Global Offering	: 271,500,000 Shares (subject to the Over-allotment Option)
Number of Hong Kong Offer Shares	: 27,150,000 Shares (subject to reallocation)
Number of International Offer Shares	: 244,350,000 Shares (subject to reallocation and the Over-allotment Option)
Offer Price	: Not more than HK\$2.88 per Offer Share, and expected to be not less than HK\$2.21 per Offer Share, plus brokerage of 1%, SFC transaction levy of 0.0027%, Stock Exchange trading fee of 0.005% and Financial Reporting Council transaction levy of 0.00015% (payable in full on application in Hong Kong dollars and subject to refund)
Nominal value	: US\$0.00001 per Share
Stock code	: 6610

Sole Sponsor, Joint Global Coordinator, Joint Bookrunner and Joint Lead Manager



Other Joint Global Coordinators, Joint Bookrunners and Joint Lead Managers



CITIC SECURITIES



招銀國際
CMB INTERNATIONAL



DBS

Other Joint Bookrunners and Joint Lead Managers



華泰國際
HUATAI INTERNATIONAL



農銀國際
ABC INTERNATIONAL



鉅誠證券
CITRUS CAPITAL



Dragonstone

Exclusive Financial Advisor



浦銀國際
SPDB INTERNATIONAL



中泰國際
ZHONGTA INTERNATIONAL



光大證券國際
EVERBRIGHT SECURITIES INTERNATIONAL



西牛證券
WEST BULL SECURITIES



中國銀河國際
CHINA GALAXY INTERNATIONAL

Other Joint Lead Managers



富途證券



老虎證券



利弗莫爾證券
LIFERM SECURITIES



華盛證券
HUASHENG SECURITIES



輝立證券集團
PHILIP SECURITIES GROUP



浙商國際
ZHEJIANG INTERNATIONAL

Hong Kong Exchanges and Clearing Limited, The Stock Exchange of Hong Kong Limited and Hong Kong Securities Clearing Company Limited take no responsibility for the contents of this prospectus, make no representation as to its accuracy or completeness and expressly disclaim any liability whatsoever for any loss howsoever arising from or in reliance upon the whole or any part of the contents of this prospectus.

A copy of this prospectus, having attached thereto the documents specified in the section headed "Documents Delivered to the Registrar of Companies and Available on Display" in Appendix V to this prospectus, has been registered by the Registrar of Companies in Hong Kong as required by section 342C of the Companies (Winding Up and Miscellaneous Provisions) Ordinance (Chapter 32 of the Laws of Hong Kong). The Securities and Futures Commission and the Registrar of Companies in Hong Kong take no responsibility for the contents of this prospectus or any other document referred to above.

The Offer Shares have not been and will not be registered under the U.S. Securities Act or any state securities laws of the United States and may not be offered, sold, pledged, or transferred within the United States, except pursuant to an exemption from, or in a transaction not subject to, the registration requirements of the U.S. Securities Act. The Offer Shares may be offered, sold or delivered outside of the United States in offshore transactions in accordance with Regulation S.

The final Offer Price is expected to be fixed by agreement between the Relevant Global Coordinators and our Company on the Price Determination Date. The Price Determination Date is expected to be on or around Monday, October 10, 2022 and, in any event, not later than Wednesday, October 12, 2022. The Offer Price will be not more than HK\$2.88 and is currently expected to be not less than HK\$2.21 unless otherwise announced. Applicants for Hong Kong Offer Shares are required to pay, on application, the maximum Offer Price of HK\$2.88 for each Hong Kong Offer Share together with a brokerage fee of 1%, a SFC transaction levy of 0.0027%, Stock Exchange trading fee of 0.005% and Financial Reporting Council transaction levy of 0.00015% subject to refund.

Prior to making an investment decision, prospective investors should consider carefully all of the information set out in this prospectus, including the risk factors set out in the section headed "Risk Factors" in this prospectus.

The Relevant Global Coordinators, with our consent, may reduce the number of Offer Shares being offered under the Global Offering and/or the indicative Offer Price range below that stated in this prospectus at any time on or prior to the morning of the last day for lodging applications under the Hong Kong Public Offering. In such a case, an announcement will be announced on the website of the Stock Exchange at www.hkexnews.hk and our Company's website at www.floatingcloud.com not later than the morning of the last day for lodging applications under the Hong Kong Public Offering. Details of the arrangement will then be announced by us as soon as practicable. If applications for Hong Kong Offer Shares have been submitted prior to the day which is the last day for lodging applications under the Hong Kong Public Offering, then even if the number of Offer Shares in the Global Offering and/or the indicative Offer Price range is so reduced, such applications cannot be subsequently withdrawn. If, for any reason, the Offer Price is not agreed between the Relevant Global Coordinators and our Company, the Global Offering (including the Hong Kong Public Offering) will lapse and will not proceed. For further information, please see the sections headed "Structure of the Global Offering" and "How to Apply for Hong Kong Offer Shares".

The obligations of the Hong Kong Underwriters under the Hong Kong Underwriting Agreement are subject to termination by the Relevant Global Coordinators if certain grounds arise prior to 8:00 a.m. on the Listing Date. Please see the paragraph headed "Underwriting — Underwriting Arrangements and Expenses — Hong Kong Public Offering — Grounds for Termination."

ATTENTION

We have adopted a fully electronic application process for the Hong Kong Public Offering. We will not provide printed copies of this prospectus or printed copies of any application forms to the public in relation to the Hong Kong Public Offering.

This prospectus is available at the website of the Stock Exchange at www.hkexnews.hk and our website at www.floatingcloud.com. If you require a printed copy of this prospectus, you may download and print from the website addresses above.

September 29, 2022

IMPORTANT

IMPORTANT NOTICE TO INVESTORS: FULLY ELECTRONIC APPLICATION PROCESS

We have adopted a fully electronic application process for the Hong Kong Public Offering. We will not provide printed copies of this prospectus or printed copies of any application forms to the public in relation to the Hong Kong Public Offering.

This prospectus is available at the website of the Stock Exchange at www.hkexnews.hk under the “HKEXnews > New Listings > New Listing Information” section, and our website at www.floatingcloud.com. If you require a printed copy of this prospectus, you may download and print from the website addresses above.

To apply for the Hong Kong Offer Shares, you may:

- (1) apply online via the **HK eIPO White Form** service in the **IPO App** (which can be downloaded by searching “**IPO App**” in App Store or Google Play or downloaded at www.hkeipo.hk/IPOApp or www.tricorglobal.com/IPOApp) or at www.hkeipo.hk; or
- (2) apply through the **CCASS EIPO** service to electronically cause HKSCC Nominees to apply on your behalf, including by:
 - (i) instructing your **broker** or **custodian** who is a CCASS Clearing Participant or a CCASS Custodian Participant to give **electronic application instructions** via CCASS terminals to apply for the Hong Kong Offer Shares on your behalf; or
 - (ii) (if you are an existing **CCASS Investor Participant**) giving **electronic application instructions** through the CCASS Internet System (<https://ip.ccass.com>) or through the CCASS Phone System by calling +852 2979 7888 (using the procedures in HKSCC’s “An Operating Guide for Investor Participants” in effect from time to time). HKSCC can also input **electronic application instructions** for CCASS Investor Participants through HKSCC’s Customer Service Centre at 1/F, One & Two Exchange Square, 8 Connaught Place, Central, Hong Kong by completing an input request.

We will not provide any physical channels to accept any application for the Hong Kong Offer Shares by the public. The contents of the electronic version of this prospectus are identical to the printed document as registered with the Registrar of Companies in Hong Kong pursuant to Section 342C of the Companies (Winding Up and Miscellaneous Provisions) Ordinance.

If you are an intermediary, broker or agent, please remind your customers, clients or principals, as applicable, that this prospectus is available online at the website addresses above.

Please refer to the section headed “How to Apply for Hong Kong Offer Shares” in this prospectus for further details of the procedures through which you can apply for the Hong Kong Offer Shares electronically.

IMPORTANT

Your application through the **HK eIPO White Form** service or the **CCASS EIPO** service must be for a minimum of 1,000 Hong Kong Offer Shares and in one of the numbers set out in the table. You are required to pay the amount next to the number you select.

No. of Hong Kong Offer Shares applied for	Amount payable on application	No. of Hong Kong Offer Shares applied for	Amount payable on application	No. of Hong Kong Offer Shares applied for	Amount payable on application	No. of Hong Kong Offer Shares applied for	Amount payable on application
HK\$		HK\$		HK\$		HK\$	
1,000	2,909.02	30,000	87,270.78	500,000	1,454,513.04	5,000,000	14,545,130.40
2,000	5,818.06	35,000	101,815.91	600,000	1,745,415.65	6,000,000	17,454,156.48
3,000	8,727.07	40,000	116,361.04	700,000	2,036,318.25	7,000,000	20,363,182.56
4,000	11,636.11	45,000	130,906.17	800,000	2,327,220.87	8,000,000	23,272,208.64
5,000	14,545.13	50,000	145,451.31	900,000	2,618,123.47	9,000,000	26,181,234.72
6,000	17,454.16	60,000	174,541.57	1,000,000	2,909,026.08	10,000,000	29,090,260.80
7,000	20,363.18	70,000	203,631.82	1,500,000	4,363,539.12	11,000,000	31,999,286.88
8,000	23,272.20	80,000	232,722.09	2,000,000	5,818,052.16	12,000,000	34,908,312.96
9,000	26,181.24	90,000	261,812.35	2,500,000	7,272,565.20	13,575,000 ⁽¹⁾	39,490,029.03
10,000	29,090.26	100,000	290,902.61	3,000,000	8,727,078.24		
15,000	43,635.39	200,000	581,805.21	3,500,000	10,181,591.28		
20,000	58,180.53	300,000	872,707.83	4,000,000	11,636,104.32		
25,000	72,725.65	400,000	1,163,610.43	4,500,000	13,090,617.36		

(1) Maximum number of Hong Kong Offer Shares you may apply for.

No application for any other number of Hong Kong Offer Shares will be considered and any such application is liable to be rejected.

EXPECTED TIMETABLE⁽¹⁾

If there is any change in the following expected timetable of the Hong Kong Public Offering, we will issue an announcement in Hong Kong to be published on our website www.floatingcloud.com and the website of the Stock Exchange at www.hkexnews.hk.

2022

Hong Kong Public Offering commences 9:00 a.m. on Thursday, September 29

Latest time to complete electronic applications under
the **HK eIPO White Form** service through one of the
below ways

(1) the **IPO App** (which can be downloaded by searching
“**IPO App**” in App Store or Google Play or downloaded
at www.hkeipo.hk/IPOApp or
www.tricorglobal.com/IPOApp)

(2) the designated website www.hkeipo.hk⁽²⁾ 11:30 a.m. on Friday, October 7

Application lists of the Hong Kong Public
Offering open⁽³⁾ 11:45 a.m. on Friday, October 7

Latest time for (a) completing payment of **HK eIPO White Form**
applications by effecting Internet banking transfer(s) or PPS
payment transfer(s) and (b) giving **electronic application**
instructions to HKSCC⁽⁴⁾ 12:00 noon on Friday, October 7

If you are instructing your broker or custodian who is a CCASS Clearing Participant or a CCASS Custodian Participant to give electronic application instructions via CCASS terminals to apply for the Hong Kong Offer Shares on your behalf, you are advised to contact your broker or custodian for the latest time for giving such instructions which may be different from the latest time as stated above.

Application lists of the Hong Kong Public
Offering close⁽³⁾ 12:00 noon on Friday, October 7

Expected Price Determination Date⁽⁵⁾ Monday, October 10

(1) Announcement of:

- the Offer Price;
- the level of applications in the Hong Kong Public Offering;

EXPECTED TIMETABLE⁽¹⁾

- the indication of level of interest in the International Offering; and
- the basis of allocation of the Hong Kong Offer Shares

expected to be published on the website of the Stock Exchange at www.hkexnews.hk and our Company's website at www.floatingcloud.com⁽⁶⁾ on or before⁽⁷⁾ Monday, October 17

- (2) Announcement of results of allocations in the Hong Kong Public Offering (including successful applicants' identification document numbers, where appropriate) to be available through a variety of channels⁽⁷⁾, including:

- in the announcement to be posted on the website of the Stock Exchange at www.hkexnews.hk and our Company's website at www.floatingcloud.com⁽⁶⁾ by no later than 9:00 a.m. on Monday, October 17
- from the "IPO Results" function in the **IPO App** or designated results of allocations website at www.tricor.com.hk/ipo/result or www.hkeipo.hk/IPOResult with a "search by ID" function on a 24-hour basis from 8:00 a.m. on Monday, October 17 to 12:00 midnight on Sunday, October 23
- from the allocation results telephone enquiry line by calling +852 3691 8488 between 9:00 a.m. and 6:00 p.m. from Monday, October 17 to Thursday, October 20

- (3) A full announcement of the Hong Kong Public Offering containing (1) and (2) above to be published on the website of the Stock Exchange at www.hkexnews.hk⁽⁸⁾ and our Company's website at www.floatingcloud.com⁽⁷⁾ from Monday, October 17

Dispatch of Share certificates or deposit of Share certificates into CCASS and **HK eIPO White Form** e-Auto Refund payment instructions/refund checks (if applicable) on or before⁽⁷⁾⁽⁹⁾ Monday, October 17

Dealings in Shares on the Stock Exchange expected to commence on⁽⁷⁾ 9:00 a.m. on Tuesday, October 18

EXPECTED TIMETABLE⁽¹⁾

The application for the Hong Kong Offer Shares will commence on Thursday, September 29, 2022 through Friday, October 7, 2022. Such time period is longer than the normal market practice of four days. The gap between the closing date of the application lists and the Listing Date is longer than the usual market practice of six days. The application monies (including brokerage, SFC transaction levy, Stock Exchange trading fee and Financial Reporting Council transaction levy) will be held by the receiving bank on behalf of our Company and the refund monies, if any, will be returned to the applicant(s) without interest on Monday, October 17, 2022. Investors should be aware that the dealings in our Shares on the Stock Exchange are expected to commence on Tuesday, October 18, 2022. Investors may not be able to sell or deal in our Shares during the period between the Price Determination Date, which is expected to be on or around Monday, October 10, 2022, and, in any event, not later than Wednesday, October 12, 2022, and the Listing Date. Our Shareholders are subject to the risk that the price of our Shares could fall before trading begins, as a result of adverse market conditions or other adverse developments that could occur between the Price Determination Date and the Listing Date.

Notes:

- (1) All times and dates refer to Hong Kong local time and date, except as otherwise stated.
- (2) You will not be permitted to submit your application under the **HK eIPO White Form** service through the **IPO App** or the designated website at www.hkeipo.hk after 11:30 a.m. on the last day for submitting applications. If you have already submitted your application and obtained an application reference number from the **IPO App** or the designated website prior to 11:30 a.m., you will be permitted to continue the application process (by completing payment of application monies) until 12:00 noon on the last day for submitting applications, when the application lists close.
- (3) If there is a tropical cyclone warning signal number 8 or above, or a “black” rainstorm warning and/or Extreme Conditions is/are in force in Hong Kong at any time between 9:00 a.m. and 12:00 noon on Friday, October 7, 2022, the application lists will not open and will close on that day. Please see the paragraph headed “How to Apply for Hong Kong Offer Shares — 10. Effect of Bad Weather and/or Extreme Conditions on the Opening of the Application Lists” in this prospectus.
- (4) Applicants who apply for Hong Kong Offer Shares by giving **electronic application instructions** to HKSCC via CCASS should refer to the section headed “How to Apply for Hong Kong Offer Shares — 6. Applying Through The **CCASS EIPO** Service”.
- (5) The Price Determination Date is expected to be on or about Monday, October 10, 2022, and in any event, not later than Wednesday, October 12, 2022. If, for any reason, the Offer Price is not agreed between the Relevant Global Coordinators and us on or before Wednesday, October 12, 2022, the Global Offering will not proceed and will lapse.
- (6) None of the website or any of the information contained on the website forms part of this prospectus.

EXPECTED TIMETABLE⁽¹⁾

- (7) In case a tropical cyclone warning signal number 8 or above, or a “black” rainstorm warning signal and/or Extreme Conditions is/are in force in Hong Kong between Thursday, September 29, 2022 to Tuesday, October 18, 2022, then the day of (i) announcement of results of allocations in the Hong Kong Public Offering; (ii) dispatch of Share certificates and **HK eIPO White Form** e-Auto Refund payment instructions/refund checks; and (iii) dealings in the Shares on the Stock Exchange may be postponed and an announcement may be made in such event.
- (8) The announcement will be available for viewing on the Stock Exchange’s website at www.hkexnews.hk.
- (9) Share certificates are expected to be issued on Monday, October 17, 2022, but will only become valid evidence of title provided that the Global Offering has become unconditional in all respects and neither of the Underwriting Agreements has been terminated in accordance with its terms. Investors who trade Shares on the basis of publicly available allocation details before the receipt of Share certificates and before they become valid evidence of title do so entirely at their own risk.

e-Auto Refund payment instructions/refund cheques will be issued in respect of wholly or partially unsuccessful applications pursuant to the Hong Kong Public Offering and in respect of successful applicants in the event that the final Offer Price is less than the price payable per Offer Share on application.

The above expected timetable is a summary only. You should read carefully the sections headed “Underwriting”, “Structure of the Global Offering” and “How to Apply for Hong Kong Offer Shares” for details relating to the structure of the Global Offering, procedures on the applications for Hong Kong Offer Shares and the expected timetable, including conditions, effect of bad weather and the dispatch of refund cheques and share certificates.

TABLE OF CONTENTS

This prospectus is issued by our Company solely in connection with the Hong Kong Public Offering and the Hong Kong Offer Shares and does not constitute an offer to sell or a solicitation of an offer to buy any security other than the Hong Kong Offer Shares offered by this prospectus pursuant to the Hong Kong Public Offering. This prospectus may not be used for the purpose of making, and does not constitute, an offer or invitation in any other jurisdiction or in any other circumstances. No action has been taken to permit a public offering of the Hong Kong Offer Shares in any jurisdiction other than Hong Kong and no action has been taken to permit the distribution of this prospectus in any jurisdiction other than Hong Kong. The distribution of this prospectus for purposes of a public offering and the offering and sale of the Hong Kong Offer Shares in other jurisdictions are subject to restrictions and may not be made except as permitted under the applicable securities laws of such jurisdictions pursuant to registration with or authorization by the relevant securities regulatory authorities or an exemption therefrom.

You should rely only on the information contained in this prospectus to make your investment decision. The Hong Kong Public Offering is made solely on the basis of the information contained and the representations made in this prospectus. We have not authorized anyone to provide you with information that is different from what is contained in this prospectus. Any information or representation not contained nor made in this prospectus must not be relied on by you as having been authorized by our Company, the Sole Sponsor, the Joint Global Coordinators, the Joint Bookrunners, the Joint Lead Managers, the Underwriters, any of their respective directors, officers, employees, agents or representatives of any of them or any other parties involved in the Global Offering.

	<i>Page</i>
Expected Timetable	i
Table of Contents	v
Summary	1
Definitions	19
Glossary of Technical Terms	43
Forward-looking Statements	46
Risk Factors	48

TABLE OF CONTENTS

Waivers from Strict Compliance with the Listing Rules	105
Information about this Prospectus and the Global Offering	110
Directors and Parties Involved in the Global Offering	114
Corporate Information	123
Industry Overview	126
Regulatory Overview	143
History, Development and Corporate Structure	169
Contractual Arrangements	216
Business	246
Financial Information	364
Relationship with Controlling Shareholders	444
Continuing Connected Transactions	452
Directors and Senior Management	458
Share Capital	479
Substantial Shareholders	483
Cornerstone Investors	486
Future Plans and Use of Proceeds	494
Underwriting	507
Structure of the Global Offering	521
How to Apply for Hong Kong Offer Shares	534

TABLE OF CONTENTS

Appendix I	— Accountants' Report	I-1
Appendix II	— Unaudited Pro Forma Financial Information	II-1
Appendix III	— Summary of the Constitution of our Company and Cayman Companies Act	III-1
Appendix IV	— Statutory and General Information	IV-1
Appendix V	— Documents Delivered to the Registrar of Companies and Available on Display	V-1

SUMMARY

This summary aims to give you an overview of the information contained in this prospectus and is qualified in its entirety by, and should be read in conjunction with, the more detailed information and financial information appearing elsewhere in this prospectus. As this is a summary, it does not contain all the information that may be important to you and we urge you to read the entire prospectus carefully before making your investment decision. There are risks associated with any investment. Some of the particular risks in investing in the Offer Shares are set out in the section headed “Risk Factors” in this prospectus. You should read that section carefully before you decide to invest in the Offer Shares.

OVERVIEW

We provide AR/VR content and services in China, and in particular, the provision of AR/VR marketing services to advertising customers was our largest revenue contributor during the Track Record Period. According to iResearch, we ranked the first in terms of revenue in the AR/VR content and services market in China, amounting to 2.6% of the market share in 2021. We also ranked the first in terms of revenue in the AR/VR services market in China, which is a part of the AR/VR content and services market, reaching 13.5% of the market share in 2021. According to iResearch, the AR/VR content and services market size in terms of revenue in China was RMB21.7 billion in 2021 and is expected to increase from RMB35.7 billion in 2022 to RMB130.2 billion in 2026 at a CAGR of 38.2%.

We started shifting our business focus from games business to AR/VR content and services businesses in April 2017 and completed the transition in May 2019. Notwithstanding our limited operating history in the AR/VR content and services businesses, through accumulation of experiences and know-hows, we have created a business providing a variety of services in connection with AR/VR, mainly including (i) AR/VR marketing services, (ii) AR/VR content, (iii) AR/VR SaaS and (iv) IP business:

- (i) **AR/VR marketing services.** AR/VR marketing services business is currently our primary source of revenue. The business model of our AR/VR marketing services business is “we develop and we help you use”. We provide AR/VR content modules and development tools and help our customers place their advertisements. We charge our customers based on the performance outcome such as using CPA, CPC and CPM pricing models and operational effect of the services. Working with media platforms and their agents, we primarily provided AR/VR marketing services to our advertising customers during the Track Record Period. Leveraging our advantages in technology and media resources, we provide customers with AR/VR marketing services, including formulating service plans, designing AR/VR marketing content, distributing AR/VR marketing content, and collecting, monitoring and optimizing data and feedback, in order to realize our customers’ business goals such as enhancing brand exposure and improving brand awareness. We help advertising customers to create cross-platform and AR/VR marketing materials, and furnish end users with an immersive experience. During the Track Record Period, we provided AR/VR marketing services to a total of over 50 advertising customers and promoted over 250 advertising products, the majority of which were apps and websites.

SUMMARY

- (ii) **AR/VR content.** Utilizing our self-developed AR/VR development engines, our AR/VR content business offers customized content according to the needs of our customers. We provide AR/VR content to customers from various industries, including entertainment, gaming, education, culture and tourism, technology, healthcare and automobiles, and bring end users a diversified and immersive experience in a virtual world. The business model of our AR/VR content business is “*we develop and you use*”. We develop AR/VR content according to the requirements of our customers, which are then utilized by the customers in their businesses and provided to the end users. We generally charge a one-off fee when we provide the content products to our customers. We also utilize technology and experience accumulated in our AR/VR content business to support our AR/VR marketing services and AR/VR SaaS businesses. During the Track Record Period, we provided AR/VR content to over 60 customers, and gained experience from more than 150 AR/VR content projects. For example, in 2021, we developed a VR courseware customized for a middle-school geography course for an education business subsidiary under an Internet technology group operating one of the largest search engines in China in terms of the average daily active users in 2020. By simply wearing a VR device, students can learn the structure of the earth, the formation of the air pressure zones and other lessons in a visual and interactive way, thereby appealing to the interest of students and enhancing their level of involvement, which ultimately makes it easier for students to absorb the knowledge in the geography course.
- (iii) **AR/VR SaaS.** Leveraging the experiences we accumulated in the AR/VR content and services businesses, we provide standardized solutions on our AR/VR SaaS platform. The business model of our AR/VR SaaS business is “*you develop and you use*”. Our AR/VR SaaS platform enables our customers to generate, publish and utilize AR/VR content. We charge our customers for subscribing to our SaaS products or for developing customized SaaS solutions. Our AR/VR SaaS platform provides our customers with a range of online AR/VR interactive content design, development and distribution tools and empowers our customers to create activities that offer experiences such as exhibition, showcase, live-streaming and marketing, with the goal to improve the level and extent of participation of their end users. Our AR/VR SaaS business has grown at a fast pace since 2020. The revenue from our AR/VR SaaS business increased by 41.8% from RMB6.5 million in 2019 to RMB9.2 million in 2020, and further increased by 122.9% to RMB20.6 million in 2021, and increased by 353.2% from RMB2.1 million for the three months ended March 31, 2021 to RMB9.5 million for the three months ended March 31, 2022. As of March 31, 2022, the number of our AR/VR SaaS registered users reached over 14,000 and the number of our AR/VR SaaS subscribed paying users reached over 2,200.
- (iv) **IP.** Our IP business licenses IP rights to customers to enable them to develop games, cartoons, TV plays, movies and other works. During the Track Record Period, we mainly licensed out IPs we purchased from third parties. We have shifted our focus and going forward, we will mainly use IP resources to support our AR/VR businesses and license IP rights on a case-by-case basis to meet specific customer demands.

SUMMARY

The following table sets forth a breakdown of our revenue by service or product type in absolute amounts and as a percentage of our total revenue for the years/periods indicated:

	Year ended December 31,						Three months ended March 31,			
	2019		2020		2021		2021		2022	
							(Unaudited)			
	Revenue	Percentage of total revenue	Revenue	Percentage of total revenue	Revenue	Percentage of total revenue	Revenue	Percentage of total revenue	Revenue	Percentage of total revenue
	(RMB'000)	%	(RMB'000)	%	(RMB'000)	%	(RMB'000)	%	(RMB'000)	%
AR/VR marketing services	137,103	54.6	141,701	41.9	376,341	63.2	81,275	58.6	165,574	72.3
AR/VR content	45,323	18.1	114,758	33.9	161,395	27.1	42,611	30.7	53,685	23.5
AR/VR SaaS	6,514	2.6	9,238	2.7	20,588	3.5	2,101	1.5	9,522	4.2
IP	30,519	12.2	29,811	8.8	4,472	0.8	4,717	3.4	—	—
Others ^(Note)	31,483	12.5	43,090	12.7	32,494	5.4	8,045	5.8	88	0.0
Total	250,942	100.0	338,598	100.0	595,290	100.0	138,749	100.0	228,869	100.0

Note: Our other businesses comprise text message services, promotion services, technical services, artist endorsement services, and historically, games and games related business. We completed the winding-down of our games and games related business in 2019. See the paragraph headed “Business — Our Business — Our Services and Products — Other businesses” in this prospectus for details.

OUR CUSTOMERS AND SUPPLIERS

Our customers for AR/VR marketing services are mainly advertisers and their agents. Our customers for AR/VR content are mainly companies from various industries, including entertainment, gaming, education, culture and tourism, technology, healthcare and automobiles. Our customers for AR/VR SaaS are mainly customized AR/VR SaaS solutions customers and subscribed paying users of our AR/VR SaaS platform. In each of 2019, 2020 and 2021 and the three months ended March 31, 2022, revenue from our top five customers accounted for approximately 46.1%, 38.5%, 39.2% and 30.7% of our total revenue for the respective year/period. In each of 2019, 2020 and 2021 and the three months ended March 31, 2022, revenue from our largest customer accounted for approximately 12.0%, 14.2%, 10.2% and 7.5% of our total revenue for the respective year/period. Our top five customers during the Track Record Period were Independent Third Parties and none of our Directors or their respective close associates or any Shareholder (who to the best knowledge of our Directors owned more than 5% of our issued share capital as of the Latest Practicable Date) had any interest in any of our top five customers as of the Latest Practicable Date. For our pricing models, see the paragraphs headed “Business — Our Business — Our Services and Products — AR/VR marketing services — Pricing models and fees settlement”, “Business — Our Business — Our Services and Products — AR/VR content — Pricing model” and “Business — Our Business — Our Services and Products — AR/VR SaaS — Pricing and payment” in this prospectus. For our sales and marketing, see the paragraph headed “Business — Marketing and Brand Promotion” in this prospectus.

Our major suppliers are primarily agents of media platforms which provide traffic and companies which offer subcontracting and development services or provide content materials or IPs. In each of 2019, 2020 and 2021 and the three months ended March 31, 2022, the expense paid to our top five suppliers accounted for approximately 49.9%, 41.1%, 45.1% and 54.2% of our cost of revenue for the respective year/period. In each of 2019, 2020 and 2021 and the three months

SUMMARY

ended March 31, 2022, the expense paid to our largest supplier accounted for approximately 16.1%, 9.7%, 13.5% and 14.8% of our cost of revenue for the respective year/period. Our top five suppliers during the Track Record Period were Independent Third Parties and none of our Directors or their respective close associates or any Shareholder (who to the best knowledge of our Directors owned more than 5% of our issued share capital as of the Latest Practicable Date) had any interest in any of our top five suppliers as of the Latest Practicable Date.

OUR COMPETITIVE ADVANTAGES AND DEVELOPMENT STRATEGIES

We believe the following competitive advantages have substantially contributed to our success and will drive our future development: (i) a major provider of the AR/VR content and services market in China and benefit from the competitive advantages in the Metaverse development process; (ii) fast growing SaaS business; (iii) multifaceted AR/VR technology; (iv) strong synergy effect among our various business segments; and (v) management team with a broad vision and rich experience.

We are committed to building China's leading Metaverse platform serving business customers by connecting small and medium-sized companies with the Metaverse and building our own Feitian Metaverse platform, which is currently at a preliminary stage. To achieve our vision, we have prepared the following development strategies: (i) we intend to further optimize our operation of AR/VR marketing services, AR/VR content and AR/VR SaaS businesses; (ii) we intend to further expand our presence in the Metaverse ecosystem in China; (iii) we intend to strengthen our R&D capabilities; (iv) we plan to strengthen and continue to optimize our sales and marketing network; and (v) we intend to selectively pursue strategic investment and M&A.

COMPETITION

China's AR/VR content and services market is highly fragmented with over 5,000 players in the market. We are in direct competition with other AR/VR content and services providers in China. We believe that we compete with our competitors on a number of factors, primarily including technology, innovation, quality of services, business operation, price, financial resources, brand recognition and reputation. We believe that our business has advantages over our competitors' in terms of multifaceted AR/VR technologies and AR/VR interactive content production capabilities. Our multifaceted AR/VR technologies, namely the underlying technology, the content technology and the platform technology, provide support for our AR/VR business. The underlying technology is our core capability, which supports all our major businesses and establishes our competitive advantages in the industry. The content technology addresses the customers' demand and provides us with a base to grow our business. The platform technology enables our technology to be exported and empowers customers or developers to participate in the content production together with us. As we are one of the earliest companies entering the AR/VR content and services market in China, we have accumulated years of experience in AR/VR interactive content production and have a wide industry coverage of customers. Our ability to successfully compete against our competitors affects our ability to grow our business and our results of operations. To distinguish ourselves from our competitors, we plan to further improve our service and product offerings and strengthen our technology capabilities.

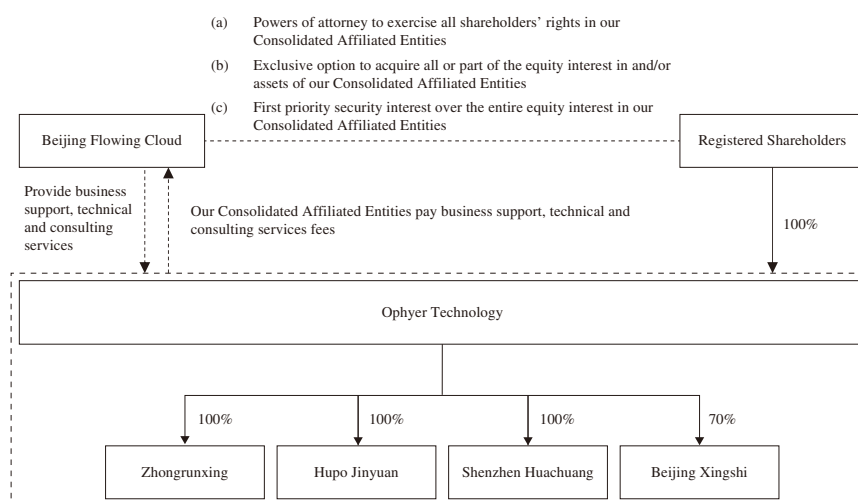
SUMMARY

LISTING AND DELISTING FROM THE NEEQ

On July 14, 2017, the shares of Ophyer Technology were listed on the NEEQ. On August 9, 2019, the then shareholders of Ophyer Technology resolved to apply for delisting of the shares of Ophyer Technology from the NEEQ. As advised by our PRC Legal Advisors, Ophyer Technology had been in compliance with all applicable PRC securities laws and regulations and rules and regulations of the NEEQ in all material respects and Ophyer Technology had not been subject to any penalties imposed by the NEEQ during the period of its listing on the NEEQ, and its delisting from the NEEQ has fulfilled the required procedures. Our Directors confirm that Ophyer Technology and its subsidiaries and controlled entities, shareholders and directors complied with the applicable laws and regulations in all material respects and were not subject to any penalty, investigation or disciplinary actions by the relevant regulatory authorities during the period of its listing on the NEEQ. As advised by our PRC Legal Advisors, there was no breach or suspected breach of the rules and regulations of the NEEQ by, or any disciplinary action by any relevant law enforcement authority or regulation against, Ophyer Technology, its shareholders or its directors during the period of its listing on the NEEQ up to the date of delisting. For further details, see the paragraphs headed “History, Development and Corporate Structure — Corporate Development — Ophyer Technology — Listing on the NEEQ and capital increase” and “History, Development and Corporate Structure — Corporate Development — Ophyer Technology — Delisting from the NEEQ” in this prospectus.

CONTRACTUAL ARRANGEMENTS

The following simplified diagram illustrates the flow of economic benefits from our Consolidated Affiliated Entities to our Group stipulated under the Contractual Arrangements:



Note: For further details, see the section headed “Contractual Arrangements” in this prospectus.

SHAREHOLDER INFORMATION

On December 13, 2021, Mr. Wang and Mr. Li entered into a concert party agreement, pursuant to which Mr. Wang and Mr. Li confirmed, among other things, that since they became shareholders and/or beneficial owners of Ophyer Technology or any member of our Group, they

SUMMARY

have been cooperating and are parties acting in concert with respect to the matters of Ophyer Technology, and shall continue to do so until the termination of such concert party agreement, and that they have been and shall continue to give unanimous consent, approval or rejection on any material issues and decision in relation to the business of our Company and the relevant members of our Group. Immediately upon the completion of the Capitalization Issue and the Global Offering, assuming the Over-allotment Option is not exercised, and without taking into account any Shares to be issued upon the exercise of options which may be granted under the Post-IPO Share Option Scheme, Wang BVI (wholly-owned by Mr. Wang), Li BVI (wholly-owned by Mr. Li), and the Wang Family Trust will, through Brainstorming Cafe (an investment holding company), be entitled to control the exercise of voting rights of approximately 42.21% of the enlarged issued share capital of our Company. Mr. Wang is the settlor and protector of the Wang Family Trust. Accordingly, Mr. Wang, Mr. Li, Wang BVI, Li BVI, Cyber Warrior and Brainstorming Cafe will together constitute a group of Controlling Shareholders under the Listing Rules.

PRE-IPO INVESTMENTS

Between July 2020 and November 2021, Ophyer Technology and our Company entered into several capital increase agreements with our Pre-IPO Investors and there were various share transfers among the then shareholders of Ophyer Technology and our Pre-IPO Investors. Our Company also entered into a capital contribution agreement with a Pre-IPO Investor. For further details, see the paragraph headed “History, Development and Corporate Structure — Pre-IPO Investments” in this prospectus.

SUMMARY OF HISTORICAL FINANCIAL INFORMATION

The table below includes, for the years/periods indicated, selected financial data derived from our consolidated statements of profit or loss and comprehensive income, the details of which are set forth in the Accountants’ Report in Appendix I to this prospectus, and these should be read in conjunction with the historical financial information in the Accountants’ Report in Appendix I to this prospectus, including the related notes.

Summary Consolidated Statements of Profit or Loss and Other Comprehensive Income

The following table sets forth a summary of our consolidated statements of comprehensive income, with line items in absolute amounts and as percentages of our revenue for the years/periods indicated:

	For the year ended December 31,						For the three months ended March 31,			
	2019		2020		2021		2021		2022	
	RMB'000	%	RMB'000	%	RMB'000	%	RMB'000	%	RMB'000	%
	(Unaudited)									
Revenue	250,942	100.0	338,598	100.0	595,290	100.0	138,749	100.0	228,869	100.0
Cost of revenue	(175,617)	(70.0)	(233,894)	(69.1)	(419,774)	(70.5)	(101,463)	(73.1)	(155,586)	(68.0)
Gross Profit	75,325	30.0	104,704	30.9	175,516	29.5	37,286	26.9	73,283	32.0
Profit before tax	48,346	19.3	70,371	20.8	87,142	14.6	11,971	8.6	48,827	21.3
Profit and total comprehensive income for the year/period	41,879	16.7	60,252	17.8	71,719	12.0	9,186	6.6	38,205	16.7

SUMMARY

	For the year ended December 31,						For the three months ended March 31,			
	2019		2020		2021		2021		2022	
	RMB'000	%	RMB'000	%	RMB'000	%	RMB'000	%	RMB'000	%
	(Unaudited)									
Profit and total comprehensive income for the year/period attributable to:										
Owners of the Company . . .	41,879	16.7	58,883	17.4	70,202	11.8	8,640	6.2	38,278	16.7
Non-controlling interests. . .	—	—	1,369	0.4	1,517	0.2	546	0.4	(73)	(0.0)
	<u>41,879</u>	<u>16.7</u>	<u>60,252</u>	<u>17.8</u>	<u>71,719</u>	<u>12.0</u>	<u>9,186</u>	<u>6.6</u>	<u>38,205</u>	<u>16.7</u>

NON-IFRS MEASURE: ADJUSTED NET PROFIT

To supplement our consolidated financial statements presented in accordance with IFRS, we also use non-IFRS measure, namely adjusted net profit, as an additional financial measure, which is not required by or presented in accordance with IFRS. We believe that such non-IFRS measure facilitates comparisons of operating performance from period to period by eliminating potential impacts of certain items. We believe that such measure provides useful information to investors and others in understanding and evaluating our consolidated results of operations in the same manner as it helps our management. However, our presentation of adjusted net profit may not be comparable to similarly titled measures presented by other companies. The use of such non-IFRS measure has limitations as an analytical tool, and you should not consider it in isolation from, or as substitute for analysis of, our results of operations or financial conditions as reported under IFRS. Our presentation of non-IFRS measure should not be construed as an implication that our future results will be unaffected by unusual items.

We define adjusted net profit as net profit for the year/period adjusted by adding fair value changes on financial liabilities designated as at FVTPL, interest expense on other financial liabilities and Listing expenses. Fair value changes on financial liabilities designated as at FVTPL and interest expense on other financial liabilities are non-cash in nature. As of December 31, 2021, all of our financial liabilities designated as at FVTPL and other financial liabilities measured at amortized cost had been converted into equity. The following table sets forth the reconciliation of net profit to adjusted net profit for the years/periods indicated:

	Year ended December 31,			Three months ended March 31,	
	2019	2020	2021	2021	2022
	(RMB'000)	(RMB'000)	(RMB'000)	(RMB'000)	(RMB'000)
	(Unaudited)				
Reconciliation of net profit to adjusted net profit:					
Profit for the year/period	41,879	60,252	71,719	9,186	38,205
Add:					
Fair value changes on financial liabilities designated as at FVTPL.	—	1,357	21,075	8,700	—
Interest expense on other financial liabilities	—	—	515	—	—
Listing expenses.	—	—	12,287	—	1,992
Non-IFRS measure:					
Adjusted net profit (unaudited)	<u>41,879</u>	<u>61,609</u>	<u>105,596</u>	<u>17,886</u>	<u>40,197</u>

SUMMARY

Our net profit increased significantly by 315.9% from RMB9.2 million in the three months ended March 31, 2021 to RMB38.2 million in the three months ended March 31, 2022, mainly due to the increase in our revenue as our business expanded and the decrease in the fair value changes on financial liabilities designated as at FVTPL as all of our financial liabilities designated as at FVTPL had been converted into equity during the second half of 2021.

Gross Profit and Gross Margin

The following table sets forth a breakdown of our gross profit by service or product type in absolute amounts and as a percentage of revenue, or gross margins, for the years/periods indicated:

	For the year ended December 31,						For the three months ended March 31,			
	2019		2020		2021		2021		2022	
	RMB'000	Gross Margin (%)	RMB'000	Gross Margin (%)	RMB'000	Gross Margin (%)	RMB'000	Gross Margin (%)	RMB'000	Gross Margin (%)
							(Unaudited)			
AR/VR marketing services . .	29,044	21.2	27,490	19.4	81,533	21.7	16,729	20.6	38,055	23.0
AR/VR content	21,690	47.9	54,161	47.2	74,534	46.2	17,167	40.3	29,691	55.3
AR/VR SaaS	3,292	50.5	4,886	52.9	11,255	54.7	1,083	51.5	5,516	57.9
IP	6,189	20.3	5,745	19.3	170	3.8	415	8.8	—	—
Others ^(Note)	15,110	48.0	12,422	28.8	8,024	24.7	1,892	23.5	21	23.3
Total	75,325	30.0	104,704	30.9	175,516	29.5	37,286	26.9	73,283	32.0

Note: Our other businesses comprise text message services, promotion services, technical services, artist endorsement services, and historically, games and games related business.

The following table sets forth a breakdown of our cost of revenue by nature in absolute amounts and as a percentage of our total cost of revenue for the years/periods indicated:

	For the year ended December 31,						For the three months ended March 31,			
	2019		2020		2021		2021		2022	
	RMB'000	%	RMB'000	%	RMB'000	%	RMB'000	%	RMB'000	%
							(Unaudited)			
Traffic acquisition costs . . .	115,259	65.6	138,362	59.2	311,497	74.2	69,042	68.0	126,732	81.5
Subcontracting and development costs	21,319	12.1	22,586	9.7	36,878	8.8	8,368	8.2	14,632	9.4
Use of materials costs	7,547	4.3	36,792	15.7	44,481	10.6	14,995	14.8	5,491	3.5
IP acquisition costs	24,330	13.9	24,066	10.3	4,302	1.0	4,302	4.2	—	—
Amortization of intangible assets	4,484	2.6	5,724	2.4	10,560	2.5	2,439	2.4	3,671	2.4
Staff costs	1,813	1.0	2,359	1.0	5,488	1.3	1,383	1.4	2,294	1.5
Others ^(Note)	865	0.5	4,005	1.7	6,568	1.6	934	1.0	2,766	1.7
Total	175,617	100.0	233,894	100.0	419,774	100.0	101,463	100.0	155,586	100.0

Note: Other cost of revenue comprises rent of servers and sales commissions to agents in relation to our AR/VR SaaS business.

During the Track Record Period, the largest component of our cost of revenue was traffic acquisition costs, representing 65.6%, 59.2%, 74.2% and 81.5% of our total cost of revenue in 2019, 2020 and 2021 and the three months ended March 31, 2022, respectively. Our traffic

SUMMARY

acquisition costs increased from RMB115.3 million in 2019 to RMB138.4 million in 2020, and further increased to RMB311.5 million in 2021, and increased from RMB69.0 million in the three months ended March 31, 2021 to RMB126.7 million in the three months ended March 31, 2022, primarily driven by the growth of our AR/VR marketing services business, as well as the increased traffic acquisition costs in the market. Our traffic acquisition costs are generally in line with the fluctuations of our revenue. See the paragraph headed “Financial Information — Major Factors Affecting Our Results of Operations — Seasonality” in this prospectus for more details on our seasonality. Our subcontracting and development costs increased from RMB21.3 million in 2019 to RMB22.6 million in 2020, and further increased to RMB36.9 million in 2021, and increased from RMB8.4 million in the three months ended March 31, 2021 to RMB14.6 million in the three months ended March 31, 2022, primarily driven by the growth of our AR/VR content business. We began to incur use of materials costs in 2019 as we expanded our AR/VR content business in the entertainment industry and began to provide AR/VR content to a customer in the entertainment industry in 2019 who required substantial procurement of PGC video materials. Our use of materials costs increased from RMB7.5 million in 2019 to RMB36.8 million in 2020, and further to RMB44.5 million in 2021, primarily due to our growing AR/VR content business in the entertainment industry and the increasing demand from our customers. Our use of materials costs decreased from RMB15.0 million in the three months ended March 31, 2021 to RMB5.5 million in the three months ended March 31, 2022, primarily due to the decrease in the customer demand for PGC video materials.

Summary Consolidated Statements of Financial Position

	As of December 31,			As of March 31,
	2019	2020	2021	2022
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
Non-current assets	13,307	28,289	40,236	66,403
Current assets	203,672	362,311	543,279	604,588
Current liabilities	97,814	211,016	134,201	184,247
Net current assets	105,858	151,295	409,078	420,341
Non-current liabilities	—	167	2,744	1,969
Net assets	119,165	179,417	446,570	484,775

Our net current assets increased from RMB409.1 million as of December 31, 2021 to RMB420.3 million as of March 31, 2022, primarily due to an increase of RMB38.0 million in our prepayments and an increase of RMB37.5 million in our trade and other receivables and deposits, partially offset by an increase of RMB17.2 million in bank borrowings, an increase of RMB17.2 million in our trade and other payables and a decrease of RMB16.0 million in our bank balances and cash.

Our net current assets increased from RMB151.3 million as of December 31, 2020 to RMB409.1 million as of December 31, 2021, primarily due to an increase of RMB110.3 million in our bank balances and cash, an increase of RMB60.4 million in our prepayments, a decrease of RMB48.4 million in our financial liabilities at FVTPL, a decrease of RMB23.3 million in our contract liabilities, an increase of RMB25.9 million in our trade and other receivables and deposits and a decrease of RMB16.4 million in our bank borrowings, partially offset by a decrease of RMB11.3 million in our contract costs and an increase of RMB11.4 million in our trade and other payables and a decrease of RMB4.3 million in our inventories.

Our net current assets increased from RMB105.9 million as of December 31, 2019 to RMB151.3 million as of December 31, 2020, primarily due to an increase of RMB92.3 million in our bank balances and cash, an increase of RMB47.8 million in our prepayments and an increase

SUMMARY

of RMB43.3 million in our trade and other receivables and deposits, partially offset by an increase of RMB48.4 million in our financial liabilities at FVTPL, an increase of RMB25.4 million in the contract liabilities, an increase of RMB21.7 million in our bank loans, a decrease of RMB17.3 million in the loan receivables and an increase of RMB11.3 million in our trade and other payables.

Our net assets increased from RMB119.2 million as of December 31, 2019 to RMB179.4 million as of December 31, 2020, primarily due to our net profit of RMB60.3 million in 2020. Our net assets further increased to RMB446.6 million as of December 31, 2021, primarily due to our net profit of RMB71.7 million in 2021 and the termination of preferred rights of the shares related to our Group and conversion of preferred shares of RMB211.1 million, partially offset by modification to financial instruments of RMB15.7 million. Our net assets further increased to RMB484.8 million as of March 31, 2022, primarily due to our net profit of RMB38.2 million in the three months ended March 31, 2022. For further information, see the Consolidated Statements of Changes in Equity in the Accountants' Report as set out in Appendix I to this prospectus.

Summary Consolidated Statements of Cash Flows

	For the year ended December 31,			For the three months ended March 31,	
	2019	2020	2021	2021	2022
	RMB'000	RMB'000	RMB'000	RMB'000 (Unaudited)	RMB'000
Reconciliation of operating cash flows before movements in working capital to net cash from operating activities					
Operating cash flows before movements in working capital	58,275	80,079	123,039	26,596	59,759
Add:					
Changes in working capital	(27,794)	(51,035)	(80,370)	(31,118)	(71,642)
Income tax paid	(4,854)	(4,096)	(18,184)	(6,563)	(722)
Net cash (used in)/from operating activities	25,627	24,948	24,485	(11,085)^(Note)	(12,605)^(Note)
Net cash (used in)/from investing activities	(22,912)	1,450	(16,898)	(50,190)	(16,095)
Net cash from financing activities	5,985	65,914	102,680	21,471	12,756
Net increase/(decrease) in cash and cash equivalents	8,700	92,312	110,267	(39,804)	(15,944)
Cash and cash equivalents at the beginning of the year/period	3,005	11,705	104,017	104,017	214,279
Effect of foreign exchange rate changes	—	—	(5)	—	(20)
Cash and cash equivalents at the end of the year/period	11,705	104,017	214,279	64,213	198,315

SUMMARY

Note: We recorded negative operating cash flow for the three months ended March 31, 2021 and 2022. Our net cash used in operating activities was RMB11.1 million for the three months ended March 31, 2021, primarily due to (i) a decrease in contract liabilities mainly because we completed the performance of certain AR/VR marketing services and delivered AR/VR content and IPs in relation to the contract liabilities in the three months ended March 31, 2021, and (ii) an increase in prepayments mainly for purchasing advertising traffic in connection with our AR/VR marketing services as we usually secure traffic important to our operation at the beginning of the year. Our net cash used in operating activities was RMB12.6 million for the three months ended March 31, 2022, primarily due to (i) an increase in trade and other receivables and deposits due to the growth of our AR/VR marketing services, AR/VR content and AR/VR SaaS businesses, and (ii) an increase in prepayments mainly for purchasing advertising traffic in connection with our AR/VR marketing services as we usually secure traffic important to our operation at the beginning of the year and for purchasing outsourcing services in connection with our AR/VR content business expansion.

KEY FINANCIAL RATIOS

The following table sets forth our key financial ratios for the years/periods indicated:

	As of/For the year ended December 31,			As of/For the three months ended March 31,
	2019	2020	2021	2022
Gross margin ⁽¹⁾	30.0%	30.9%	29.5%	32.0%
Net profit margin ⁽²⁾	16.7%	17.8%	12.0%	16.7%
Return on equity ⁽³⁾	42.6%	40.4%	22.9%	N/A
Return on assets ⁽⁴⁾	22.7%	19.8%	14.7%	N/A
Current ratio ⁽⁵⁾	2.1	1.7	4.0	3.3
Gearing ratio ⁽⁶⁾	4.9%	Net cash	Net cash	Net cash

Notes:

1. Gross margin equals gross profit divided by revenue for the period and multiplied by 100%. See the paragraph headed “Financial Information — Description of Major Components of Our Results of Operations — Gross Profit and Gross Margin” in this prospectus for more details on our gross margins.
2. Net profit margin equals profit for the period divided by revenue for the period and multiplied by 100%. Our net profit margin increased from 16.7% in 2019 to 17.8% in 2020 mainly due to the increase in our gross margin attributable to our improved efficiency as our business expanded. Our net profit margin decreased from 17.8% in 2020 to 12.0% in 2021 mainly due to the effect of fair value changes on financial liabilities designated as at FVTPL and Listing expenses. Our net profit margin increased from 6.6% in the three months ended March 31, 2021 to 16.7% in the three months ended March 31, 2022 mainly due to our improved gross margin in the three months ended March 31, 2022, and the effect of fair value changes on financial liabilities designated as at FVTPL in the three months ended March 31, 2021. See the paragraphs headed “Financial Information — Three Months Ended March 31, 2022 Compared to Three Months Ended March 31, 2021”, “Financial Information — Year Ended December 31, 2021 Compared to Year Ended December 31, 2020” and “Financial Information — Year Ended December 31, 2020 Compared to Year Ended December 31, 2019” in this prospectus for more details on our net profit margins.
3. Return on equity equals profit for the period divided by average balance of total equity at the beginning and the end of that period, then multiplied by 100%.
4. Return on assets equals profit for the period divided by average balance of total assets at the beginning and the end of that period, then multiplied by 100%.
5. Current ratio equals total current assets divided by total current liabilities as of the dates indicated.

SUMMARY

6. Gearing ratio equals net debt divided by total equity as of the end of the period and multiplied by 100%. Net debt equals bank borrowings and lease payables less bank balances and cash as of the end of the period.

Please see the paragraph headed “Financial Information — Key Financial Ratios” in this prospectus for descriptions of the calculations of the above ratios.

RISK FACTORS

A summary of certain key risk factors we face include: (i) as we are in the new and developing AR/VR content and services industry, our future operating results and prospects, as well as our ability to forecast them, are subject to a number of uncertainties, which may materially and adversely affect our profitability and prospects; (ii) due to our lack of or limited operating history in the AR/VR content and services businesses, the Metaverse industry and the Feitian Metaverse platform, it may be difficult for investors to evaluate our business and growth; (iii) if we fail to improve and enhance the functionality, performance, reliability, design, security, and scalability of our products and services timely to suit our customers’ evolving needs, our business, financial condition, results of operations, and prospects may be materially and adversely affected; (iv) we face intensive competition in the markets in which we operate and may not be able to compete successfully against our existing and future competitors; and (v) if we determine our intangible assets to be impaired, our results of operations and financial condition may be adversely affected.

If any of the above key risk factors materialises, there may be a material and adverse effect on our business, financial condition, results of operations and prospects. You should read the entire section headed “Risk Factors” in this prospectus before you decide to invest in the Offer Shares.

LEGAL PROCEEDINGS AND COMPLIANCE

During the Track Record Period and up to the Latest Practicable Date, we had not been involved in any actual or pending litigation, arbitration or administrative proceedings (including any bankruptcy or take-over proceedings) that we believe will have a material adverse impact on our business, operating results, financial position or reputation. We are subject to a wide range of PRC laws and regulations in the ordinary course of business. As advised by our PRC Legal Advisors, save as disclosed in the paragraphs headed “Business — Employees” and “Business — Property” in this prospectus, we had complied with the laws and regulations of the PRC applicable to us in all material respects during the Track Record Period and up to the Latest Practicable Date.

RECENT DEVELOPMENTS

Recent Development of Our Business Operations

Since the end of the Track Record Period and up to the Latest Practicable Date, our business continued to expand. In the seven months ended July 31, 2022, we provided services to over 25 advertising customers and promoted more than 150 advertising products in respect of our AR/VR marketing services business. In respect of our AR/VR content business, we carried out more than 60 AR/VR content projects for over 25 customers in the seven months ended July 31, 2022. Furthermore, we carried out more than 170 customized AR/VR SaaS projects and acquired over 1,400 additional subscribed paying users of our AR/VR SaaS platform in the seven months ended July 31, 2022. In the seven months ended July 31, 2022, the revenue generated from each of our AR/VR marketing services, AR/VR content and AR/VR SaaS businesses increased compared to the same period in 2021. According to our unaudited consolidated financial information for the seven months ended July 31, 2021 and 2022, respectively, we recorded revenue of RMB322.3 million and RMB556.5 million, and gross profit of RMB93.2 million and RMB175.1 million, representing gross margin of 28.9% and 31.5%.

SUMMARY

We are responsible for the preparation of the unaudited consolidated financial information for the seven months ended July 31, 2022 in accordance with the basis of preparation as well as the accounting policies, which conform with the IFRS, and are consistent with those adopted for the preparation of the historical financial information for the three years ended December 31, 2021 and the three months ended March 31, 2022 as set out in the Accountants' Report in Appendix I to this prospectus. Our unaudited consolidated financial information for the seven months ended July 31, 2022 has been reviewed by our reporting accountants in accordance with Hong Kong Standard on Review Engagements 2410 "Review of Interim Financial Information Performed by the Independent Auditor of the Entity" issued by the Hong Kong Institute of Certified Public Accountants.

Impact of the COVID-19 outbreak

The COVID-19 pandemic had a certain impact on our business in 2020. Our revenue from AR/VR content and services businesses grew at a slower pace in 2020, which was mainly due to the COVID-19 outbreak as, to the best knowledge, information and belief of our Directors after having made reasonable enquiries, some of our advertising customers scaled down their budget, spending and marketing investment in the first half of 2020. As the COVID-19 pandemic has gradually been brought under control in China, all of our business operations were back on track during the second half of 2020.

An outbreak of the Omicron, a COVID-19 variant, in China and globally since the beginning of 2022 had again caused more stringent measures implemented in the affected areas, including temporary lock-down measures in various regions of China, including in particular Shanghai, certain districts of Beijing and Hainan. To comply with the relevant anti-pandemic requirements of the government of Chaoyang District, Beijing, we implemented a mandatory work-from-home policy for the period from May 5, 2022 to May 29, 2022. Our office re-opened on May 30, 2022 and our employees resumed working in the office by batches. The COVID-19 pandemic situation in China in the seven months ended July 31, 2022 was more severe as compared to the seven months ended July 31, 2021 due to sporadic outbreaks in multiple regions. The recent COVID-19 outbreak in China has not had a material impact on our business operations and financial performance.

As COVID-19 only had a relatively limited impact on our business during the Track Record Period and up to the Latest Practicable Date, our Directors believe that the COVID-19 pandemic will have a relatively limited impact on our businesses in the long term. Nevertheless, we plan to stay alert and closely monitor and evaluate the market situation based on any development of the COVID-19 pandemic in the future. For further information on the impact and risk of the COVID-19 pandemic, see the paragraphs headed "Risk Factors — Risks Relating to Our Business and Industry — We face risks related to natural disasters, health epidemics, and other public safety concerns", "Business — Impacts of COVID-19 on Our Operations in China" and "Financial Information — Impact of COVID-19 on Our Operations" in this prospectus.

Recent Regulatory Developments

Cybersecurity

On November 14, 2021, the CAC published the Draft Data Security Regulations. The Draft Data Security Regulations stipulate that (i) a data processor which processes more than one million users' personal information aiming to list abroad; or (ii) a data processor which seeks to complete a listing in Hong Kong which affects or may affect national security, is required to apply for

SUMMARY

cybersecurity review pursuant to relevant rules and regulations. Public consultation for the Draft Data Security Regulations ended on December 13, 2021. The final version and effective date of such regulations are subject to change with substantial uncertainty.

Further, on December 28, 2021, the CAC and 12 other PRC regulatory authorities jointly revised and promulgated the Revised CAC Measures, which came into effect on February 15, 2022 and repealed the *Measures for Cybersecurity Review* (《網絡安全審查辦法》) promulgated on April 13, 2020. According to the Revised CAC Measures, a platform operator with more than one million users' personal information aiming to list abroad must apply for cybersecurity review. A platform operator carrying out data processing activities which affect or may affect national security must apply for cybersecurity review.

On May 31, 2022, our PRC Legal Advisors conducted a phone consultation with the China Cybersecurity Review Technology and Certification Center (中國網絡安全審查技術與認證中心) (the “**Center**”), which is a competent authority according to our PRC Legal Advisors. The Center confirmed that (i) Hong Kong listings are not subject to the cybersecurity review requirement under Article 7 of the Revised CAC Measures; (ii) an online platform operator with less than one million users' personal information is not required to file an application for cybersecurity review under Article 7 of the Revised CAC Measures; and (iii) the Revised CAC Measures and the Draft Data Security Regulations currently do not provide clear standards or guidance on the determination of the circumstances which affect or may affect national security. As of the Latest Practicable Date, (i) we only collected and stored limited personal data and we do not possess more than one million users' personal information; (ii) the user data collected by us within the territory of the PRC as part of our business operations had been stored within the territory of the PRC; (iii) we had not experienced any material cybersecurity and data privacy incident including without limitation, data or personal information theft, leakage, damage, tampering, loss and illegal use; and (iv) we had implemented appropriate technical and organizational measures and will continually make effort to ensure our practices are compliant with applicable laws and regulations. Based on the above phone consultation, the above facts and as advised by our PRC Legal Advisors, the likelihood of our operations being classified as one that affects or may affect national security is relatively low, and we are not required to file an application or notify the CAC in writing of our Company's proposed Listing in Hong Kong.

The Directors and our PRC Legal Advisors are of the view, and the Sole Sponsor concurs, that the Revised CAC Measures and the Draft Data Security Regulations (if implemented in current forms) would not have a material adverse impact on our Group's business operations or our Company's proposed Listing in Hong Kong. We will closely monitor the legislative and regulatory development in connection with cybersecurity and data protection and will adjust and enhance data practices in a timely manner to ensure compliance with all applicable laws and regulations.

On July 7, 2022, the CAC promulgated the *Measures on Security Assessment of Cross-border Data Transfer* (《數據出境安全評估辦法》), which took effect on September 1, 2022. These Measures specify the circumstances which will require security assessment before any cross-border data transfer out of China can take place. Please refer to the paragraph headed “Regulatory Overview — Laws and Regulations Relating to Information Security and Privacy Protection” in this prospectus for more details. As of the date of this prospectus, (i) we have not received any notification from relevant regulatory authorities regarding our identification as a critical information infrastructure operator, (ii) we possess limited personal information and the numbers are lower than the threshold, (iii) the identification of important data and the implementation are still subject to elaboration by relevant government authorities, and (iv) our data collected and generated in our daily business operation are kept within China and no overseas data transmission

SUMMARY

is involved during our daily business operations. Therefore, our Directors and our PRC Legal Advisors are of the view that the Measures on Security Assessment of Cross-border Data Transfer do not apply to us.

Foreign Investment Negative List

On December 27, 2021, the MOFCOM and the NDRC jointly promulgated the Negative List, which came into effect on January 1, 2022, and repealed the *Special Administrative Measures (Negative List) for Foreign Investment Access (Edition 2020)* (《外商投資准入特別管理措施(負面清單)(2020年版)》). Under the Negative List, the Internet information services, a subcategory of the VATS Business, fall under the category of restricted businesses, and hence foreign investors are restricted from holding more than 50% equity interests in companies providing such business and must satisfy certain qualification requirements. Further, investment in “production and operation of radio and television programs” is still prohibited. Therefore, as advised by our PRC Legal Advisors, the Negative List will not affect the effectiveness of the VIE structure of our Group and will not affect our Group’s business operations or our Company’s proposed Listing in Hong Kong in any material respects.

Recent Development on VATS Requirements

On March 29, 2022, the State Council promulgated the 2022 Decision, which came into effect on May 1, 2022. According to the 2022 Decision, the VATS Qualification Requirements as stipulated in the 2016 Regulations were repealed. However, as of the Latest Practicable Date, no applicable PRC laws, regulations or rules had provided clear guidance or interpretation about the 2022 Decision.

Based on the current regulations and policy mainly issued and implemented by the State Council and the MIIT, prudential and consistent practices of competent authorities regarding foreign-invested enterprises engaged in telecommunications business and as explained by the MIIT during the 2022 MIIT Consultation, our PRC Legal Advisors advised that (i) the 2022 Decision does not impose any additional requirements or restrictions on enterprises which have already obtained the value-added telecommunication business operating license and the above regulatory changes would not affect the validity and the legality of our ICP License and SP License; (ii) even though the VATS Qualification Requirements were repealed, given that there were still no detailed regulations or guidelines available for foreign investment in the value-added telecommunications business in the PRC, an application by a foreign-invested enterprise for ICP License or SP License will not be approved in practice until detailed regulations or guidelines are issued; and (iii) the 2022 Decision does not have a material adverse impact on our business operations.

As of the Latest Practicable Date, we had not received any inquiry or notice from the competent authorities regarding the validity of our ICP License and SP License. We will closely monitor any future development relating to the 2022 Decision and will take all necessary actions to comply with applicable laws, regulations and specific requirements or guidance. For further information, see the paragraph headed “Risk Factors — We may not be able to meet regulatory requirements with respect to VATS, notwithstanding the 2022 Decision which came into effect on May 1, 2022, our plan to unwind the Contractual Arrangements may be subject to certain limitations” in this prospectus.

Recent Development on Rules relating to Overseas Listing

On December 24, 2021, the CSRC issued the *Provisions of the State Council on the Administration of Overseas Securities Offering and Listing by Domestic Companies (Draft for Comments)* (《國務院關於境內企業境外發行證券和上市的管理規定(草案徵求意見稿)》) (the “**Draft Administration Provisions**”) and the *Administrative Measures for the Filing of Overseas Securities*

SUMMARY

Offering and Listing by Domestic Companies (Draft for Comments) (境內企業境外發行證券和上市備案管理辦法(徵求意見稿)) (together with the Draft Administration Provisions, the “**Draft VIE Regulations**”). On December 24, 2021, the CSRC published on its official website the “Relevant Officials of the CSRC Answered Reporter Questions”, which set out that companies with VIE structure in compliance with domestic laws and regulations are eligible to list overseas after filing with the CSRC. Public consultation for the Draft VIE Regulations ended on January 23, 2022.

The Draft VIE Regulations apply to PRC domestic companies that seek to offer and list securities in overseas markets, either by direct or indirect means. Please refer to the paragraph headed “Regulatory Overview — Laws and Regulations Relating to Overseas Listing” in this prospectus for details. As advised by our PRC Legal Advisors, (i) the Draft VIE Regulations had been released for public comments only and they are not legally binding and have not come into effect. The final version and effective date of such regulations are subject to change with substantial uncertainty; (ii) the Listing is not subject to any filing procedures with, or approval from, the CSRC as of the Latest Practicable Date given that the Draft VIE Regulations have not come into effect; and (iii) if the Draft VIE Regulations become effective in their current form before the Listing, other than uncertainties of the filing procedures which may be further clarified in the final version of the Draft VIE Regulations and/or their implementation rules, there is no material impediment for our Company to comply with the Draft VIE Regulations.

As advised by our PRC Legal Advisors, (i) our VIE structure does not violate any existing PRC laws and regulations or otherwise constitute a legal obstacle to our proposed Listing; (ii) our proposed Listing does not violate any national security laws or regulations; and (iii) we will not be required to complete any procedures imposed by the Draft VIE Regulations, if they are implemented in their current forms after we have completed our Listing.

In light of the above and taken into account the advice given by our PRC Legal Advisors, our Directors are of the view, and the Sole Sponsor concurs, that none of the recent regulatory developments would have a material adverse impact on our business operation or financial performance.

No Material Adverse Change

Our Directors have confirmed that, up to the date of this prospectus, there has been no material adverse change in our financial or trading position or prospects since March 31, 2022, being the end date of our latest audited historical financial information, and there has been no event since March 31, 2022 that would materially affect the information shown in the Accountants’ Report set out in Appendix I.

DIVIDENDS

The declaration, amount and payment of dividends are subject to the discretion of our Directors and depend on our financial condition, earnings and capital requirements as well as contractual and legal restrictions and our ability to receive dividend payments from our subsidiaries in addition to other factors. Declaration and payment of dividends are also subject to any applicable laws and the Articles of Association. The dividend distribution record in the past may not be used as a reference or basis to determine the level of dividends that may be declared by our Board or paid in the future. Currently, our Group does not have a fixed dividend policy and does not have a predetermined dividend distribution ratio. During the Track Record Period, we did not declare or pay any dividend.

SUMMARY

GLOBAL OFFERING STATISTICS⁽¹⁾

	Based on the minimum indicative Offer Price of HK\$2.21 per Offer Share	Based on the maximum indicative Offer Price of HK\$2.88 per Offer Share
Market capitalization of our Shares ⁽²⁾	HK\$4,000.1 million	HK\$5,212.8 million
Pro forma adjusted consolidated net tangible assets of our Group attributable to owners of our Company per Share ⁽³⁾ .	HK\$0.57	HK\$0.67

Notes:

- (1) All statistics in this table does not take into account any Shares which may be allotted and issued pursuant to the exercise of Over-allotment Option, or any Shares which may be issued pursuant to the exercise of options which may be granted under the Post-IPO Share Option Scheme, or any Shares which may be issued or repurchased by our Company pursuant to the general mandates granted to our Directors to issue or repurchase Shares as described in the section headed “Share Capital” in this prospectus.
- (2) The calculation of market capitalization is based on 1,810,000,000 Shares expected to be in issue immediately after completion of the Capitalization Issue and the Global Offering.
- (3) The pro forma adjusted consolidated net tangible assets of our Group attributable to owners of our Company per Share is calculated after making the adjustments referred to in the paragraph headed “Unaudited Pro Forma Financial Information — Unaudited Pro Forma Statement of Adjusted Consolidated Net Tangible Assets of the Group Attributable to Owners of the Company” in Appendix II to this prospectus and based on the 1,810,000,000 Shares expected to be in issue immediately after completion of the Capitalization Issue and the Global Offering.

USE OF PROCEEDS

Using the Offer Price of HK\$2.55 per Offer Share, being the mid-point of the Offer Price range of HK\$2.21 to HK\$2.88 per Offer Share, we estimate that we will receive net proceeds from the Global Offering of HK\$620.5 million (equivalent to approximately RMB547.9 million), assuming that there is no exercise of the Over-allotment Option. In the event that the Over-allotment Option is exercised in full, we estimate that we will receive net proceeds of HK\$719.4 million (equivalent to approximately RMB635.3 million). We intend to use the net proceeds for the following purposes: (i) approximately 40% of the net proceeds, or approximately HK\$248.2 million, is expected to be used for enhancing our R&D capabilities and improving our services and products; (ii) approximately 25% of the net proceeds, or approximately HK\$155.1 million, is expected to be used for enhancing our sales and marketing function; (iii) approximately 15% of the net proceeds, or approximately HK\$93.1 million, is expected to be used for selected mergers, acquisitions, and strategic investments; (iv) approximately 10% of the net proceeds, or approximately HK\$62.0 million, is expected to be used for the development of our Feitian Metaverse platform over the next 12 to 36 months; and (v) approximately 10% of the net proceeds, or approximately HK\$62.1 million, is expected to be used for working capital and general corporate purposes. For further information, see the section headed “Future Plans and Use of Proceeds” in this prospectus.

SUMMARY

LISTING EXPENSES

The total Listing expenses borne or to be borne by us are estimated to be approximately RMB62.2 million (equivalent to approximately HK\$70.4 million) (comprising (i) underwriting commission of approximately RMB27.4 million, and (ii) non-underwriting related expenses of approximately RMB34.8 million, which consist of fees and expenses of legal advisors and reporting accountants of approximately RMB26.5 million and other fees and expenses of approximately RMB8.3 million), accounting for approximately 10.2% of the gross proceeds of the Global Offering, assuming an Offer Price of HK\$2.55 per Share, which is the mid-point of the indicative Offer Price range stated in this prospectus and assuming that the Over-allotment Option is not exercised. We expect that approximately RMB28.8 million (equivalent to approximately HK\$32.6 million) will be charged to our statements of profit or loss and other comprehensive income as Listing expenses, and approximately RMB33.4 million (equivalent to approximately HK\$37.8 million) will be accounted for as a deduction from equity upon the Listing. The Listing expenses above are the latest practicable estimate for reference only, and the actual amount may differ from this estimate. Our Directors do not expect such Listing expenses to have a material adverse impact on our results of operation for the year ending December 31, 2022.

DEFINITIONS

In this prospectus, the following expressions shall have the meanings set out below unless the context otherwise requires.

“2016 Regulations”	the Regulations for the Administration of Foreign-Invested Telecommunications Enterprises (《外商投資電信企業管理規定》) promulgated by the State Council on December 11, 2001 and last amended by the State Council on February 6, 2016
“2022 Decision”	the Decision of the State Council on Revising or Abolishing Some Administrative Regulations (《國務院關於修改和廢止部分行政法規的決定》) promulgated by the State Council on March 29, 2022
“Accountants’ Report”	the accountants’ report of our Group set out in Appendix I to this prospectus
“affiliate(s)”	any person, directly or indirectly, controlling, controlled by or under direct or indirect common control with another person
“Articles” or “Articles of Association”	the amended and restated articles of association of our Company conditionally adopted on September 8, 2022 and will come into effect upon the Listing (as amended, supplemented or otherwise modified from time to time), a summary of which is set out in Appendix III to this prospectus
“associate(s)”	has the meaning ascribed thereto under the Listing Rules
“Audit Committee”	the audit committee of the Board
“BCA”	Beijing Communication Administration (北京市通訊管理局)
“Beijing Digital”	Beijing Flowing Cloud Digital Technology Co., Ltd.* (北京飛天雲動數字技術有限公司), a limited company established in the PRC on August 18, 2022 and a wholly-owned subsidiary of Beijing Flowing Cloud

DEFINITIONS

“Beijing Flowing Cloud”	Beijing Flowing Cloud Technology Co., Ltd.* (北京飛天雲動科技有限公司), a limited company established in the PRC on November 17, 2021 and a wholly-owned subsidiary of Ophyer HK
“Beijing Xingshi”	Beijing Xingshi Hudong Media Technology Co., Ltd.* (北京星矢互動傳媒科技有限公司), a limited liability company established under the laws of the PRC on April 10, 2020 and one of our Consolidated Affiliated Entities
“Board”	the board of Directors
“Brainstorming Cafe”	Brainstorming Cafe Limited, a company incorporated in the Cayman Islands, with limited liability on November 5, 2021, which is one of our Controlling Shareholders and owned as to 26.16%, 61.05% and 12.79% by Wang BVI, Cyber Warrior and Li BVI, respectively
“Business Day” or “business day”	a day that is not a Saturday, Sunday or public holiday on which banks in Hong Kong are generally open for normal banking business
“BVI”	the British Virgin Islands
“CAC”	the Cyberspace Administration of China (中國國家互聯網信息辦公室)
“Capitalization Issue”	the issue of 1,422,382,190 Shares to be made upon capitalization of certain sums standing to the credit of the share premium account of our Company, as further described in the paragraph headed “Statutory and General Information — A. Further Information about our Group — 4. Resolutions of the Shareholders of our Company Passed on September 8, 2022” in Appendix IV to this prospectus
“Catalog”	the Catalog of Industries Encouraged for Foreign Investment (2020 version) jointly promulgated by the MOFCOM and the NDRC on December 27, 2020 and became effective on January 27, 2021, as amended, supplemented or otherwise modified from time to time

DEFINITIONS

“Cayman Companies Act” or “Companies Act”	the Companies Law Cap 22 (Law 3 of 1961, as consolidated and revised) of the Cayman Islands
“CCASS”	the Central Clearing and Settlement System established and operated by HKSCC
“CCASS Clearing Participant”	a person admitted to participate in CCASS as a direct clearing participant or a general clearing participant
“CCASS Custodian Participant”	a person admitted to participate in CCASS as a custodian participant
“CCASS EIPO”	the application for the Hong Kong Offer Shares to be issued in the name of HKSCC Nominees and deposited directly into CCASS to be credited to your or a designated CCASS Participant’s stock account through causing HKSCC Nominees to apply on your behalf, including by (i) instructing your broker or custodian who is a CCASS Clearing Participant or a CCASS Custodian Participant to give electronic application instructions via CCASS terminals to apply for the Hong Kong Offer Shares on your behalf, or (ii) if you are an existing CCASS Investor Participant, giving electronic application instructions through the CCASS Internet System (https://ip.ccass.com) or through the CCASS Phone System (using the procedures in HKSCC’s “An Operating Guide for Investor Participants” (in effect from time to time)). HKSCC can also input electronic application instructions for CCASS Investor Participants through HKSCC’s Customer Service Centre by completing an input request
“CCASS Investor Participant”	a person admitted to participate in CCASS as an investor participant, which may be an individual, joint individuals or a corporation
“CCASS Operational Procedures”	the Operational Procedures of HKSCC in relation to CCASS, containing the practices, procedures and administrative requirements relating to operations and functions of CCASS, as from time to time in force

DEFINITIONS

“CCASS Participant”	a CCASS Clearing Participant, a CCASS Custodian Participant or a CCASS Investor Participant
“China” or “the PRC”	the People’s Republic of China excluding, for the purposes of this prospectus, Hong Kong, the Macau Special Administrative Region of the People’s Republic of China and Taiwan
“close associate(s)”	has the meaning ascribed thereto under the Listing Rules
“Companies Ordinance”	the Companies Ordinance, Chapter 622 of the Laws of Hong Kong (as amended, supplemented or otherwise modified from time to time)
“Companies (Winding Up and Miscellaneous Provisions) Ordinance”	the Companies (Winding Up and Miscellaneous Provisions) Ordinance, Chapter 32 of the Laws of Hong Kong (as amended, supplemented or otherwise modified from time to time)
“Company Law” or “PRC Company Law”	the Company Law of the People’s Republic of China (中華人民共和國公司法), as amended, supplemented or otherwise modified from time to time
“Company”, “our Company”, “us” or “we”	Flowing Cloud Technology Ltd (飛天雲動科技有限公司), an exempted company incorporated in the Cayman Islands with limited liability on June 24, 2021
“connected person(s)”	has the meaning ascribed thereto under the Listing Rules
“connected transaction(s)”	has the meaning ascribed thereto under the Listing Rules
“Consolidated Affiliated Entities”	the entities we control through the Contractual Arrangements, namely Ophyer Technology, Hupo Jinyuan, Zhongrunxing, Shenzhen Huachuang and Beijing Xingshi, the details of which are set out in the paragraph headed “History, Development and Corporate Structure — Corporate Development” in this prospectus

DEFINITIONS

“Contractual Arrangements”	the series of contractual arrangements entered into by, among others, Beijing Flowing Cloud, the Consolidated Affiliated Entities and the Registered Shareholders, the details of which are set out in the section headed “Contractual Arrangements” in this prospectus
“Controlling Shareholder(s)”	has the meaning ascribed to it under the Listing Rules and, unless the context requires otherwise, refers to Mr. Wang, Mr. Li, Wang BVI, Li BVI, Cyber Warrior and Brainstorming Cafe (for more details, see the paragraph headed “Relationship with Controlling Shareholders — Overview” in this prospectus); and “Controlling Shareholder” means any one of them
“core connected person(s)”	has the meaning ascribed thereto under the Listing Rules
“COVID-19”	coronavirus disease 2019
“CSRC”	China Securities Regulatory Commission (中國證券監督管理委員會), a regulatory body responsible for the supervision and regulation of the national securities market in China
“Cyber Warrior”	Cyber Warrior Holdings Limited, a company incorporated in the BVI with limited liability on October 11, 2021 which is wholly-owned by Vistra Trust, and is one of our Controlling Shareholders holding approximately 61.05% of the shareholding in Brainstorming Cafe as of the Latest Practicable Date
“Deed of Indemnity”	the deed of indemnity dated September 8, 2022 entered into by Mr. Wang, Mr. Li, Wang BVI, Li BVI and Brainstorming Cafe in favor of our Company, pursuant to which Mr. Wang, Mr. Li, Wang BVI, Li BVI and Brainstorming Cafe have given certain tax and other indemnities in favor of our Company, as further described in the paragraph headed “Statutory and General Information — E. Other Information — 1. Tax and other indemnities” in Appendix IV to this prospectus

DEFINITIONS

“Deed of Non-Competition”	the deed of non-competition dated September 8, 2022 entered into by Mr. Wang, Mr. Li, Wang BVI, Li BVI and Brainstorming Cafe in favor of our Company, as further described in the paragraph headed “Relationship with Controlling Shareholders — Deed of Non-Competition” in this prospectus
“Director(s)”	the director(s) of our Company
“Draft Data Security Regulations”	the Regulations on the Administration of Cyber Data Security (Draft for Comments) (《網絡數據安全管理條例(徵求意見稿)》) published by the CAC on November 14, 2021
“EIT”	enterprise income tax
“EIT Law”	the PRC Enterprise Income Tax Law
“Extreme Conditions”	extreme conditions caused by a super typhoon as announced by the government of Hong Kong
“FVTPL”	fair value through profit or loss
“General Rules of CCASS”	General Rules of CCASS published by the Stock Exchange and as amended from time to time
“Global Offering”	the Hong Kong Public Offering and the International Offering
“Grand Canal (Nanjing)”	Jiangsu Grand Canal (Nanjing) Culture Tourism Development Fund (Limited Partnership)* (江蘇省大運河(南京)文化旅游發展基金(有限合夥)), a limited partnership established under the laws of the PRC on July 6, 2020, a Shareholder and a Pre-IPO Investor. For further details, see the paragraph headed “History Development and Corporate Structure — Pre-IPO Investments — Information regarding our Pre-IPO Investors — Grand Canal (Nanjing)” in this prospectus
“ GREEN Application Form(s)”	the application form(s) to be completed by the HK eIPO White Form Service Provider designated by our Company

DEFINITIONS

“Group”, “our Group”, “our”, “we” or “us”	our Company, our subsidiaries and the Consolidated Affiliated Entities at the relevant time or, where the context so requires, in respect of the period before our Company became the holding company of our present subsidiaries and consolidated affiliated entities, such subsidiaries and consolidated affiliated entities of our Company at the relevant time
“Guochuang Feitian”	Guochuang Feitian (Tianjin) Enterprise Management Consultancy Partnership (Limited Partnership)* (國創飛天(天津)企業管理諮詢合夥企業(有限合夥)), a limited partnership established under the laws of the PRC on January 18, 2021, a Shareholder and a Pre-IPO Investor. For further details, see the paragraph headed “History Development and Corporate Structure — Pre-IPO Investments — Information regarding our Pre-IPO Investors — Guochuang Feitian” in this prospectus
“Hainan Yilin”	Hainan Yilin Investment Partnership (Limited Partnership)* (海南易林投資合夥企業(有限合夥)), a limited partnership established under the laws of the PRC on October 29, 2021, a Shareholder and a Pre-IPO Investor. For further details, see the paragraph headed “History, Development and Corporate Structure — Pre-IPO Investments — Information regarding our Pre-IPO Investors — Hainan Yilin” in this prospectus
“Hefei Shuimu”	Hefei Shuimu Venture Investment Enterprise (Limited Partnership)* (合肥水木創業投資企業(有限合夥)), a limited partnership established under the laws of the PRC on July 19, 2016, a Shareholder and a Pre-IPO Investor. For further details, see the paragraph headed “History, Development and Corporate Structure — Pre-IPO Investments — Information regarding our Pre-IPO Investors — Hefei Shuimu” in this prospectus

DEFINITIONS

“Hefei Xingcheng”	Hefei Xingcheng Zhixiang Technology Co., Ltd.* (合肥星橙智享科技有限公司), a limited liability company established under the laws of the PRC on April 20, 2020, which was a wholly-owned subsidiary of Ophyer Technology before its deregistration on December 21, 2021
“ HK eIPO White Form ”	the application for Hong Kong Offer Shares to be issued in the applicant’s own name, submitted online through the IPO App or the designated website at <u>www.hkeipo.hk</u>
“ HK eIPO White Form Service Provider ”	the HK eIPO White Form service provider designated by our Company as specified in the IPO App or on the designated website at <u>www.hkeipo.hk</u>
“HKSCC”	Hong Kong Securities Clearing Company Limited, a wholly-owned subsidiary of Hong Kong Exchanges and Clearing Limited
“HKSCC Nominees”	HKSCC Nominees Limited, a wholly-owned subsidiary of HKSCC
“Hong Kong”	the Hong Kong Special Administrative Region of the PRC
“Hong Kong dollars” or “HK dollars” or “HK\$” or “HKD”	Hong Kong dollars and cents respectively, the lawful currency of Hong Kong
“Hong Kong Offer Shares”	the 27,150,000 new Shares being initially offered by us for subscription pursuant to the Hong Kong Public Offering, subject to reallocation as described in the section headed “Structure of the Global Offering” in this prospectus

DEFINITIONS

“Hong Kong Public Offering”	the offer by us for subscription of the Hong Kong Offer Shares to the public in Hong Kong (subject to reallocation as described in the section headed “Structure of the Global Offering” in this prospectus) at the Offer Price (plus brokerage of 1%, SFC transaction levy of 0.0027%, Stock Exchange trading fee of 0.005% and Financial Reporting Council transaction levy of 0.00015%) on the terms and subject to the conditions described in this prospectus, as further described in the paragraph headed “Structure of the Global Offering — Hong Kong Public Offering” in this prospectus
“Hong Kong Share Registrar”	Tricor Investor Services Limited
“Hong Kong Underwriters”	the underwriters of the Hong Kong Public Offering as listed in the paragraph headed “Underwriting — Hong Kong Underwriters” in this prospectus
“Hong Kong Underwriting Agreement”	the underwriting agreement dated September 28, 2022 relating to the Hong Kong Public Offering and entered into by our Company, Mr. Wang, Mr. Li, Wang BVI, Li BVI, Brainstorming Cafe, the Sole Sponsor, the Joint Global Coordinators and the Hong Kong Underwriters as further described in the section headed “Underwriting” in this prospectus
“Hupo Jinyuan”	Beijing Hupo Jinyuan Media Co., Ltd.* (北京琥珀金源傳媒有限公司) (formerly known as Beijing Hupo Jinyuan Technology Co., Ltd.* (北京琥珀金源科技有限公司)), a limited liability company established under the laws of the PRC on March 29, 2011 and one of our Consolidated Affiliated Entities
“ICP License”	value-added telecommunications business operating license (within business scope of Internet content provider) issued by competent PRC Government authority
“IFRS”	International Financial Reporting Standards

DEFINITIONS

“Independent Third Party” or “Independent Third Parties”	a person or entity who, so far as our Directors are aware after having made all reasonable enquiries, is not a connected person of our Company under the Listing Rules
“International Offer Shares”	the 244,350,000 new Shares being initially offered by us for subscription under the International Offering together, where relevant, with any additional Shares that may be allotted and issued pursuant to the exercise of the Over-allotment Option, and subject to reallocation as described in the section headed “Structure of the Global Offering” in this prospectus
“International Offering”	the conditional placing by the International Underwriter(s) of the International Offer Shares on behalf of our Company at the Offer Price outside the United States (including to professional, institutional and other investors within Hong Kong) in offshore transactions in reliance on Regulation S, on and subject to the terms and conditions under the International Underwriting Agreement, as further described in the paragraph headed “Structure of the Global Offering — The International Offering” in this prospectus
“International Underwriter(s)”	the underwriter(s) of the International Offering who are expected to enter into the International Underwriting Agreement to underwrite the International Offering
“International Underwriting Agreement”	the underwriting agreement relating to the International Offering expected to be entered into on or around the Price Determination Date by our Company, Mr. Wang, Mr. Li, Wang BVI, Li BVI, Brainstorming Cafe, the Sole Sponsor, the Joint Global Coordinators and the International Underwriters
“IPO App”	the mobile application for the HK eIPO White Form service which can be downloaded by searching “ IPO App ” in App Store or Google Play or downloaded at www.hkeipo.hk/IPOApp or www.tricorglobal.com/IPOApp
“iResearch”	Shanghai iResearch Co., Ltd., an independent global market research and consulting company

DEFINITIONS

“Jinan Taiyue”	Jinan Taiyue Equity Investment Fund Partnership (Limited Partnership)* (濟南泰岳股權投資基金合夥企業(有限合夥)) a limited partnership established under the laws of the PRC on August 4, 2021, a Shareholder and a Pre-IPO Investor. For further details, see the paragraph headed “History, Development and Corporate Structure — Pre-IPO Investments — Information regarding our Pre-IPO Investors — Jinan Taiyue” in this prospectus
“Joint Global Coordinators”, “Joint Bookrunners” or “Joint Lead Managers”	the global coordinators, joint bookrunners and joint lead managers as named in the section headed “Directors and Parties Involved in the Global Offering” in this prospectus
“Kaiyuan Future”	Tianjin Kaiyuan Future Technology Venture Capital Fund Partnership (Limited Partnership)* (天津開源未來科技創投基金合夥企業(有限合夥)), a limited partnership established under the laws of the PRC on November 30, 2020, a Shareholder and a Pre-IPO Investor. For further details, see the paragraph headed “History, Development and Corporate Structure — Per IPO Investments — Information regarding our Pre-IPO Investors — Kaiyuan Future” in this prospectus
“Kashi Fanxing”	Kashi Fanxing Information Technology Co., Ltd. (喀什繁星信息科技有限公司), a limited company established under the laws of the PRC on May 9, 2018, which was a subsidiary of Ophyer Technology before its deregistration on August 9, 2021
“Latest Practicable Date”	September 20, 2022, being the latest practicable date for the purpose of ascertaining certain information contained in this prospectus prior to its publication
“Li BVI”	LYH. Ltd., a company incorporated in the BVI with limited liability on June 8, 2021, which is wholly-owned by Mr. Li and is one of our Controlling Shareholders holding approximately 12.79% of the shareholding in Brainstorming Cafe as of the Latest Practicable Date
“Listing”	the listing of the Shares on the Stock Exchange

DEFINITIONS

“Listing Committee”	the listing committee of the Stock Exchange
“Listing Date”	the date, expected to be on or about Tuesday, October 18, 2022, on which the Shares are listed and from which dealings in the Shares are permitted to commence on the Stock Exchange
“Listing Rules”	the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (as amended, supplemented or otherwise modified from time to time)
“LPR”	loan prime rate of the PRC, the benchmark lending rate a commercial bank charged its prime customers; lending interest rate of a loan can be set by adding or subtracting basis points based on LPR
“M&A Rules”	the Regulations on Merger with and Acquisition of Domestic Enterprises by Foreign Investors (《關於外國投資者併購境內企業的規定》)
“Memorandum of Association” or “Memorandum”	the amended and restated memorandum of association of our Company, conditionally adopted on September 8, 2022 and will come into effect upon Listing (as amended or supplemented from time to time)
“Metaverse Industry Committee”	the Metaverse Industry Committee of China Mobile Communications Association (中國移動通信聯合會元宇宙產業委員會), an industry committee established by China Mobile Communications Association, a national organization registered with the Ministry of Civil Affairs of the PRC (中華人民共和國民政部)
“MIIT”	the Ministry of Industry and Information Technology of the PRC (中華人民共和國工業和信息化部) (formerly known as the Ministry of Information Industry of the PRC (中華人民共和國信息產業部))
“MOFCOM”	Ministry of Commerce of the PRC (中華人民共和國商務部)

DEFINITIONS

“Mr. Li”	Mr. Li Yanhao (李艷浩), a Controlling Shareholder, an executive Director and the chief technology officer of our Company
“Mr. Wang”	Mr. Wang Lei (汪磊), a Controlling Shareholder, an executive Director, the chairman of the Board and the chief executive officer of our Company
“Nanchang Xiaolan”	Nanchang Xiaolan Virtual Reality Industry Investment Partnership (Limited Partnership)* (南昌小藍虛擬現實產業投資合夥企業(有限合夥)), a limited partnership established under the laws of the PRC on November 30, 2020, a Shareholder and a Pre-IPO Investor. For further details, see the paragraph headed “History, Development and Corporate Structure — Pre-IPO Investments — Information regarding our Pre-IPO Investors — Nanchang Xiaolan” in this prospectus
“Nanyang Ophyer”	Nanyang Ophyer Technology Co., Ltd.* (南陽掌中飛天科技有限公司), a limited liability company established under the laws of the PRC on September 29, 2017, which was a wholly-owned subsidiary of Ophyer Technology before its deregistration on October 29, 2021
“NDRC”	National Development and Reform Commission (國家發展和改革委員會)
“NEEQ”	National Equities Exchange and Quotations
“Negative List”	the Special Administrative Measures (Negative List) for Foreign Investment Access (2021 version), most recently jointly promulgated by the MOFCOM and the NDRC on December 27, 2021 and became effective on January 1, 2022, as amended, supplemented or otherwise modified from time to time

DEFINITIONS

“Ningbo Midu”	Ningbo Meishan Bonded Port Area Midu Investment Partnership (Limited Partnership)* (寧波梅山保稅港區米度畢方投資合夥企業(有限合夥)), a limited partnership established under the laws of the PRC on 30 May 2018, a Shareholder and a Pre-IPO Investor. For further details, see the paragraph headed “History, Development and Corporate Structure — Per IPO Investments — Information regarding our Pre-IPO Investors — Ningbo Midu” in this prospectus
“Nomination Committee”	the nomination committee of the Board
“NPC”	National People’s Congress of the PRC (全國人民代表大會)
“Offer Price”	the final offer price per Offer Share (exclusive of brokerage fee of 1%, SFC transaction levy of 0.0027%, Stock Exchange trading fee of 0.005% and Financial Reporting Council transaction levy of 0.00015%) of not more than HK\$2.88 and expected to be not less than HK\$2.21, such price to be determined by agreement between our Company and the Relevant Global Coordinators on or before the Price Determination Date
“Offer Shares”	the Hong Kong Offer Shares and the International Offer Shares
“Ophyer BVI”	FTYD Ltd, a company incorporated in the BVI with limited liability on July 19, 2021, a wholly-owned subsidiary of our Company
“Ophyer HK”	Flowing Cloud Technology (HK) Limited (飛天雲動(香港)科技有限公司), a company incorporated in Hong Kong with limited liability on August 10, 2021, a wholly-owned subsidiary of Ophyer BVI

DEFINITIONS

“Ophyer Technology”	Beijing Ophyer Technology Shares Co., Ltd.* (北京掌中飛天科技股份有限公司) (formerly known as Beijing Hengchuang Zhaoye Technology Co., Ltd.* (北京恒創兆業科技有限公司) and Beijing Ophyer Technology Co., Ltd.* (北京掌中飛天科技股份有限公司)), a limited liability company established under the laws of the PRC on March 19, 2008 and one of our Consolidated Affiliated Entities
“Over-allotment Option”	the option expected to be granted by us to the International Underwriter(s) exercisable by the Relevant Global Coordinators under the International Underwriting Agreement, pursuant to which we may be required to allot and issue up to 40,725,000 additional Shares at the Offer Price, representing up to 15% of the total number of Offer Shares initially available under the Global Offering to, among others, cover over-allocations in the International Offering, if any, as further described in the paragraph headed “Structure of the Global Offering — Over-allotment Option” in this prospectus
“PBOC”	People’s Bank of China (中國人民銀行)
“PRC Government”	the central government of the PRC and all governmental subdivisions (including provincial, municipal and other regional or local government entities) and instrumentalities thereof or, where the context requires, any of them
“PRC Legal Advisors”	Hylands Law Firm, our legal advisors as to PRC laws and regulations in connection with the Global Offering
“Pre-IPO Investment(s)”	the Pre-IPO investments in our Company undertaken by the Pre-IPO Investors pursuant to the relevant investments agreements. For further details, see the paragraph headed “History, Development and Corporate Structure — Pre-IPO Investments” in this prospectus
“Pre-IPO Investor(s)”	certain investors of our Company who/which invested into our Company prior to the Global Offering as described in the paragraph headed “History, Development and Corporate Structure — Pre-IPO Investments — Information regarding our Pre-IPO Investors” in this prospectus

DEFINITIONS

“Price Determination Date”	the date expected to be on or around Monday, October 10, 2022, but no later than Wednesday, October 12, 2022, on which our Company and the Relevant Global Coordinators determine the Offer Price for the purpose of the Global Offering
“Post-IPO Share Option Scheme”	the post-IPO share option scheme conditionally adopted by our Company on September 8, 2022, as further described in the paragraph headed “Statutory and General Information — D. Share Incentive Scheme — 1. Post-IPO Share Option Scheme” in Appendix IV to this prospectus
“Registered Shareholders”	direct shareholders of Ophyer Technology, namely Mr. Wang, Mr. Li, Ms. Peng Si (彭思), Ms. Li Shu Lan (李淑蘭), Ms. Song Lifang (宋麗芳), Mr. Wang Chongling (王崇嶺), Ms. Yi Huimin (益惠敏), Ms. Li Xiujie (李秀傑), Mr. Liang Hui (梁輝), Shanghai Wangyue, Xi’an Zhiyao, Xi’an Biyue, Grand Canal (Nanjing), Ningbo Midu, Tongchuang Weiye, SAIF Dynamiques, Hefei Shuimu, Shaanxi Big Data, Guochuang Feitian, Kaiyuan Future, Tianjin Xinghuo, Zhongtong Xinyuan, Nanchang Xiaolan, Shenzhen Chestnut, Shenzhen Linghang, Jinan Taiyue, Hainan Yilin and Shanghai Zheji
“Regulation S”	Regulation S under the U.S. Securities Act
“Relevant Global Coordinators”	Shenwan Hongyuan Securities (H.K.) Limited (for itself and on behalf of the other Underwriters (except CMB International Capital Limited)) and CMB International Capital Limited (for itself)
“Remuneration Committee”	the remuneration committee of the Board
“Reorganization”	the corporate reorganization of our Group in preparation for the Listing, details of which are set out in the paragraph headed “History, Development and Corporate Structure — Reorganization” in this prospectus
“Revised CAC Measures”	the Measures for Cybersecurity Review (2021) (《網絡安全審查辦法(2021)》) jointly promulgated by the CAC and 12 other PRC regulatory authorities on December 28, 2021

DEFINITIONS

“RMB” or “Renminbi”	Renminbi, the lawful currency of the PRC
“SAFE”	State Administration of Foreign Exchange of the PRC (中華人民共和國外匯管理局)
“SAMR”, or formerly known as “SAIC”	the State Administration for Market Regulation of the PRC (中華人民共和國國家市場監督管理總局), and formerly known as the State Administration of Industry and Commerce of the PRC (中華人民共和國工商行政管理局)
“SAIF Dynamiques”	Shenzhen Futian SAIF Dynamiques Equity Investment Fund Partnership (Limited Partnership)* (深圳市福田賽富動勢股權投資基金合夥企業(有限合夥)), a limited partnership established under the laws of the PRC on December 5, 2016, a Shareholder and a Pre-IPO Investor. For further details, see the paragraph headed “History, Development and Corporate Structure — Pre-IPO Investments — Information regarding our Pre-IPO Investors — SAIF Dynamiques” in this prospectus
“SASAC”	State-owned Assets Supervision and Administration Commission of the State Council of the PRC (中華人民共和國國務院國有資產監督管理委員會)
“SAT”	State Administration of Taxation of the PRC (中華人民共和國國家稅務總局)
“SCNPC”	the Standing Committee of the National People’s Congress of the PRC (全國人民代表大會常務委員會)
“Securities Activities Opinions”	the Opinions on Lawfully and Severely Combating Illegal Securities Activities (《關於依法從嚴打擊證券違法活動的意見》) jointly promulgated by the General Office of the State Council of the PRC together with the General Office of the Communist Party of China Central Committee on July 6, 2021
“Securities and Futures Commission” or “SFC”	the Securities and Futures Commission of Hong Kong
“SFO”	the Securities and Futures Ordinance, Chapter 571 of the Laws of Hong Kong (as amended, supplemented or otherwise modified from time to time)

DEFINITIONS

“Shaanxi Big Data”	Shaanxi Big Data Business Incubation Management Center Partnership (Limited Partnership)* (陝西大數據企業孵化管理中心合夥企業(有限合夥)), a limited partnership established under the laws of the PRC on October 23, 2015, a Shareholder. For further details, see the paragraph headed “History, Development and Corporate Structure — Corporate Development — Ophyer Technology — Capital Increases in 2017” in this prospectus
“Shandong Dingshang”	Shandong Dingshang Enterprise Management Co., Ltd.* (山東鼎商企業管理有限公司), a limited liability company established under the laws of PRC on April 5, 2016, was a Shareholder of Ophyer Technology. For further details, see the paragraph headed “History, Development and Corporate Structure — Corporate Development — Ophyer Technology — Delisting from the NEEQ” in this prospectus
“Shanghai Chengxiang”	Shanghai Chengxiang Xingshi Information Technology Co., Ltd* (上海橙享星視信息科技有限公司), a limited liability company established under the laws of PRC on February 14, 2020, which was a subsidiary of Ophyer Technology before its deregistration on July 29, 2021
“Shanghai Shiao”	Shanghai Shiao Enterprise Management Consultancy Partnership (Limited Partnership)* (上海仕傲企業管理諮詢合夥企業(有限合夥)) (formerly known as Tianjin Zhangzhong Xinlan Enterprise Management Consultancy Partnership (Limited Partnership)* (天津掌中鑫瀾企業管理諮詢合夥企業(有限合夥)), a limited partnership established under the laws of the PRC on June 14, 2016, a former shareholder of Ophyer Technology, which is ultimately held as to 85% by Mr. Wang (the general partner) and 15% by Mr. Li (the limited partner). For further details, see the paragraph headed “History, Development and Corporate Structure — Corporate Development — Ophyer Technology — Early Development” in this prospectus

DEFINITIONS

“Shanghai Wangyue”	Shanghai Wangyue Enterprise Management Consultancy Partnership (Limited Partnership)* (上海旺躍企業管理諮詢合夥企業(有限合夥)) (formerly known as Tianjin Baoding Enterprise Management Consultancy Partnership (Limited Partnership)* (天津寶鼎企業管理諮詢合夥企業(有限合夥)), a limited partnership established under the laws of the PRC on June 14, 2016, a Shareholder. For further details, see the paragraph headed “History, Development and Corporate Structure — Corporate Development — Ophyer Technology — Early Development” in this prospectus
“Shanghai Zheji”	Shanghai Zheji Enterprise Management Partnership (Limited Partnership)* (上海蟄紀企業管理合夥企業(有限合夥)), a limited partnership established under the laws of PRC on July 1, 2021, a Shareholder and a Pre-IPO Investor. For further details, see the paragraph headed “History, Development and Corporate Structure — Pre-IPO Investments — Information regarding our Pre-IPO Investors — Shanghai Zheji” in this prospectus
“Share(s)”	ordinary share(s) with nominal value of US\$0.00001 each in the share capital of our Company
“Shareholder(s)”	holder(s) of the Share(s)
“Shenzhen Chestnut”	Shenzhen Chestnut Investment Enterprise (Limited Partnership)* (深圳栗子投資企業 (有限合夥)), a limited partnership established under the laws of the PRC on August 19, 2021, a Shareholder and a Pre-IPO Investor. For further details, see the paragraph headed “History, Development and Corporate Structure — Pre-IPO Investments — Information regarding our Pre-IPO Investors — Shenzhen Chestnut” in this prospectus
“Shenzhen Huachuang”	Shenzhen Huachuang Yunjing Technology Co., Ltd.* (深圳市華創雲景科技有限公司), a limited liability company established under the laws of the PRC on January 12, 2021 and one of our Consolidated Affiliated Entities

DEFINITIONS

“Shenzhen Linghang”	Shenzhen Futian District Linghang Intelligent Manufacturing Equity Investment Fund Partnership (Limited Partnership)* (深圳福田區領航智能製造股權投資基金合夥企業(有限合夥)), a limited partnership established under the laws of the PRC on June 20, 2018, a Shareholder and a Pre-IPO Investor. For further details, see the paragraph headed “History, Development and Corporate Structure — Pre-IPO Investments — Information regarding our Pre-IPO Investors — Shenzhen Linghang” in this prospectus
“Shixin Network”	Horgos Core Network Technology Co., Ltd.* (霍爾果斯石心網絡科技有限公司), a limited liability company established under the laws of the PRC on February 9, 2017, which was a wholly-owned subsidiary of Ophyer Technology before its deregistration on September 16, 2021
“SP License”	value-added telecommunications business operating license (within the business scope of information services other than Internet content provider) issued by competent PRC Government authority
“Sole Sponsor” or “Shenwan Hongyuan”	Shenwan Hongyuan Capital (H.K.) Limited, a licensed corporation under the SFO permitted to carry on Type 1 (dealing in securities), Type 4 (advising on securities) and Type 6 (advising on corporate finance) regulated activities (as defined under the SFO)
“Stabilizing Manager” or “SWHY Securities”	Shenwan Hongyuan Securities (H.K.) Limited
“Stock Borrowing Agreement”	the agreement expected to be entered into between Brainstorming Cafe and the Stabilizing Manager and/or its affiliates, pursuant to which the Stabilizing Manager may, on its own or through its affiliates, request Brainstorming Cafe to make available to the Stabilizing Manager up to 40,725,000 Shares to cover, inter alia, over-allocations in the International Offering
“Stock Exchange”	The Stock Exchange of Hong Kong Limited

DEFINITIONS

“subsidiary(ies)”	has the meaning ascribed thereto under the Listing Rules
“substantial shareholder(s)”	has the meaning ascribed thereto under the Listing Rules
“Takeovers Code”	the Codes on Takeovers and Mergers and Share Buy-backs published by the SFC (as amended, supplemented or otherwise modified from time to time)
“Tianjin Xinghuo”	Tianjin Xinghuo Yongsheng Enterprise Management Partnership (Limited Partnership)* (天津星火永盛企業管理合夥企業(有限合夥)), a limited partnership established under the laws of the PRC on 18 March 2021, a Shareholder and a Pre-IPO Investor. For further details, see the paragraph headed “History, Development and Corporate Structure — Pre-IPO Investments — Information regarding our Pre-IPO Investors — Tianjin Xinghuo” in this prospectus
“Tongchuang Weiye”	Shandong Tongchuang Xinxing Zhilian Venture Investment Partnership (Limited Partnership)* (山東同創新興智聯創業投資合夥企業(有限合夥)), a limited partnership established under the laws of the PRC on January 4, 2021, a Shareholder and a Pre-IPO Investor. For further details, see the paragraph headed “History, Development and Corporate Structure — Pre-IPO Investments — Information regarding our Pre-IPO Investors — Tongchuang Weiye” in this prospectus
“Track Record Period”	the period comprising the three years ended December 31, 2021 and the three months ended March 31, 2022
“Underwriters”	the Hong Kong Underwriters and the International Underwriter(s)
“Underwriting Agreements”	the Hong Kong Underwriting Agreement and the International Underwriting Agreement
“United States” or “U.S.”	the United States of America, its territories, its possessions and all areas subject to its jurisdiction

DEFINITIONS

“U.S. dollars”, “US\$” or “USD”	United States dollars, the lawful currency of the United States
“U.S. Securities Act”	the U.S. Securities Act of 1933, as amended, and the rules and regulations promulgated thereunder
“VAT”	value-added tax
“VATS”	value-added telecommunication services
“VATS Qualification Requirements”	has the meaning ascribed thereto in the paragraph headed “Regulatory Overview — Laws and Regulations Relating to VATS” in this prospectus
“Vistra Trust”	Vistra Trust (Singapore) Pte. Limited, an Independent Third Party professional trust company established in Singapore
“Wang BVI”	Wanglei Co., Ltd., a company incorporated in the BVI with limited liability on June 8, 2021, which is wholly owned by Mr. Wang and is one of our Controlling Shareholders holding approximately 26.16% of the shareholding in Brainstorming Cafe as of the Latest Practicable Date
“Wang Family Trust”	the trust established by Mr. Wang as the settlor and protector, with Vistra Trust as the trustee, details of which are set out in the paragraph headed “History, Development and Corporate Structure — Reorganization — Offshore Reorganization — Establishment of the Wang Family Trust” in this prospectus
“Wanjie Smart Marketing Platform”	Wanjie Smart Marketing Platform (萬界智慧營銷平台), our current version of AR/VR SaaS platform, which was launched in 2019

DEFINITIONS

“Weifang Weiting”

Weifang Weiting Anyi Enterprise Management Service Partnership (Limited Partnership)* (濰坊市威霆安奕企業管理服務合夥企業(有限合夥)), a limited partnership established under the laws of the PRC on September 4, 2019, holding 30% of the shareholding in Beijing Xingshi as of the Latest Practicable Date. For further details, see the paragraph headed “History, Development and Corporate Structure — Corporate Development — Beijing Xingshi” in this prospectus

“Xi’an Biyue”

Xi’an Biyue Changxin Enterprise Management Partnership (Limited Partnership)* (西安碧悅昌鑫企業管理合夥企業(有限合夥)), a limited partnership established under the laws of the PRC on February 23, 2021, a Shareholder and a Pre-IPO Investor. For further details, see the paragraph headed “History, Development and Corporate Structure — Pre-IPO Investments — Information regarding our Pre-IPO Investors — Xi’an Biyue” in this prospectus

“Xi’an Zhiyao”

Xi’an Zhiyaoxiangde Enterprise Management Partnership (Limited Partnership)* (西安智耀祥德企業管理合夥企業(有限合夥)), a limited partnership established under the laws of the PRC on February 24, 2021, a Shareholder and a Pre-IPO Investor. For further details, see the paragraph headed “History, Development and Corporate Structure — Pre-IPO Investments — Information regarding our Pre-IPO Investors — Xi’an Zhiyao” in this prospectus

“Zhongrunxing”

Zhongrunxing (Beijing) Culture Media Co., Ltd.* (中潤星(北京)文化傳媒有限公司), a limited liability company established under the laws of the PRC on November 13, 2017 and one of our Consolidated Affiliated Entities

DEFINITIONS

“Zhongtong Xinyuan”	Zhongtong Xinyuan Investment Management (Zibo) Partnership (Limited Partnership)* (中桐芯源投資管理(淄博)合夥企業(有限合夥)), a limited partnership established under the laws of the PRC on November 10, 2020, a Shareholder and a Pre-IPO Investor. For further details, see the paragraph headed “History, Development and Corporate Structure — Pre-IPO Investments — Information regarding our Pre-IPO Investors — Zhongtong Xinyuan” in this prospectus
“%”	per cent.

The English names of PRC laws, regulations, governmental authorities, institutions, and of companies or entities established in the PRC included in this prospectus are translations of their Chinese names or vice versa and are included for identification purposes only. In the event of inconsistency, the Chinese versions shall prevail.

The English names of the PRC entities mentioned in this prospectus which are marked with “*” are translated, or transliterated from the Chinese name and are for identification purposes only.

GLOSSARY OF TECHNICAL TERMS

This glossary contains definitions of certain terms used in this prospectus in connection with our Company and our business. The terms and their meanings may not correspond to standard industry meaning or usage of these terms.

“5G”	the 5th generation mobile network, a new global wireless standard after 1G, 2G, 3G, and 4G networks
“advertising customer(s)”	advertising customers include advertisers and their agents
“AI”	artificial intelligence
“Android”	an operating system developed and maintained by Google Inc. which is used in touchscreen technology including smartphones and tablets
“aPaaS”	application platform as a service, a service model that provides a platform and environment to allow developers to build applications over the Internet
“API”	application programming interface, a set of routines, protocols, and tools for building software applications
“app”	mobile application
“AR”	augmented reality, an interactive experience of a real-world environment where the objects that reside in the real world are enhanced by computer-generated perceptual information
“CAGR”	compound annual growth rate
“CPA”	cost per action, a pricing model where an advertising customer is charged on the basis of each action of the end user such as download, installation or registration
“CPC”	cost per click, a pricing model where an advertising customer is charged on the basis of each click
“CPM”	cost per mille, a pricing model where an advertising customer is charged on the basis of thousand impressions

GLOSSARY OF TECHNICAL TERMS

“CPT”	cost per time, a time-based pricing model where advertising is paid on a fixed price for a given period
“CRM”	customer relationship management, a strategy for managing an organization’s relationships and interactions with customers and potential customers
“DAU(s)”	daily active users, which refers to the number of users who log in to our AR/VR SaaS platform at least once during the day
“HTML”	hyper text markup language
“H5”	a mark-up language used for structuring and presenting content on the World Wide Web, the fifth and current major version of the HTML standard
“IEEE”	the Institute of Electrical and Electronic Engineers
“impression(s)”	the number of times the advertisement or content has been displayed
“iOS”	a mobile operating system developed and maintained by Apple Inc. used exclusively in Apple touchscreen technology including iPhones, iPods and iPads
“IoT”	Internet of things, which refers to the Internet working of physical devices, smart devices, and other items embedded with electronics, sensors, actuators, and network connectivity which enable these devices or items to collect and exchange data
“IP”	intellectual property
“M&A”	merger and acquisition
“MAU(s)”	monthly active users, which refers to the number of users who log in to our AR/VR SaaS platform in the relevant calendar month
“Metaverse”	a virtual universe with a sustainable existence based on the real world through AR/VR and other technologies

GLOSSARY OF TECHNICAL TERMS

“PBR”	physically based rendering
“PGC”	professionally generated content
“QR code”	a machine-readable optical label that contains information about the item to which it is attached
“R&D”	research and development
“recurring customer(s)”	for a particular year/period, being customer(s) who had transacted with us during the preceding financial year
“SaaS”	software as a service, a software licensing and delivery model in which software is licensed on a subscription basis and is centrally hosted
“UGC”	user-generated content
“VR”	virtual reality, the computer generated simulation of a three-dimensional image or environment that can be interacted with in a seemingly real or physical way
“Wi-Fi”	a wireless local area network certified by the Wi-Fi Alliance for wireless local area network products based on the IEEE 802.11 standards, and a common IoT communication protocol which is available in home and business environments
“Wi-Fi 6”	the IEEE 802.11ax-2021 standard for wireless local area networks, an iteration of the Wi-Fi network protocol approved by the IEEE on 9 February, 2021

FORWARD-LOOKING STATEMENTS

FORWARD-LOOKING STATEMENTS CONTAINED IN THIS PROSPECTUS ARE SUBJECT TO RISKS AND UNCERTAINTIES

This prospectus contains forward-looking statements relating to our plans, objectives, expectations and intentions, which may not represent our overall performance for the periods of time to which such statements relate. Such statements reflect the current views of our management with respect to future events, operations, liquidity and capital resources, some of which may not materialize or may change. These statements are subject to certain risks, uncertainties and assumptions, including the other risk factors as described in this prospectus. You are strongly cautioned that reliance on any forward-looking statements involves known and unknown risks and uncertainties. The risks and uncertainties faced by our Company which could affect the accuracy of forward-looking statements include, but are not limited to, the following:

- our business strategies and plans to achieve these strategies;
- our ability to meet the changing tastes and preference of our customers and end users;
- our future debt levels and capital needs;
- changes to the political and regulatory environment in the industry and markets in which we operate;
- our expectations with respect to our ability to acquire and maintain regulatory licenses or permits;
- changes in competitive conditions and our ability to compete under these conditions;
- future developments, trends and conditions in the industry and markets in which we operate;
- general economic, political and business conditions in the markets in which we operate;
- effects of the global financial markets and economic crisis;
- our prospective financial information;
- our financial conditions and performance; and
- change or volatility in interest rates, foreign exchange rates, equity prices, volumes, operations, margins, risk management and overall market trends.

FORWARD-LOOKING STATEMENTS

In some cases, we use the words “aim,” “anticipate,” “believe,” “can,” “continue,” “could,” “estimate,” “expect,” “going forward,” “intend,” “ought to,” “may,” “might,” “plan,” “potential,” “predict,” “project,” “seek,” “should,” “will,” “would” and similar expressions to identify forward-looking statements. In particular, we use these forward-looking statements in the “Business” and “Financial Information” sections of this prospectus in relation to future events, our future financial, business or other performance and development, the future development of our industry and the future development of the general economy of our key markets.

These forward-looking statements are based on current plans and estimates, and speak only as of the date they were made. We undertake no obligation to update or revise any forward-looking statements in light of new information, future events or otherwise. Forward-looking statements involve inherent risks and uncertainties and are subject to assumptions, some of which are beyond our control. We caution you that a number of important factors could cause actual outcomes to differ, or to differ materially, from those expressed in any forward-looking statements.

Our Directors confirm that the forward-looking statements are made after reasonable care and due consideration. Nonetheless, due to the risks, uncertainties and assumptions, the forward-looking events and circumstances discussed in this prospectus might not occur in the way we expect, or at all.

Accordingly, you should not place undue reliance on any forward-looking information. All forward-looking statements contained in this prospectus are qualified by reference to this cautionary statement.

RISK FACTORS

An investment in our Shares involves significant risks. You should carefully consider all of the information in this prospectus, including the risks and uncertainties described below, before making an investment in our Shares. The following is a description of what we consider to be our material risks. Any of the following risks could materially and adversely affect our business, financial condition and results of operations. The market price of our Shares could significantly decrease due to any of these risks, and you may lose all or part of your investment.

These factors are contingencies that may or may not occur, and we are not in a position to express a view on the likelihood of any such contingency occurring. The information given is as of the Latest Practicable Date unless otherwise stated, will not be updated after the date hereof and is subject to the cautionary statements in the section headed “Forward-looking Statements” in this prospectus.

RISKS RELATING TO OUR BUSINESS AND INDUSTRY

As we are in the new and developing AR/VR content and services industry, our future operating results and prospects, as well as our ability to forecast them, are subject to a number of uncertainties, which may materially and adversely affect our profitability and prospects.

We currently derive a significant portion of our revenue from our AR/VR marketing services, AR/VR content and AR/VR SaaS businesses, and we expect this to continue for the foreseeable future. The AR/VR content and services industry is also the scenario application tier of the Metaverse ecosystem, according to iResearch. In 2019, 2020 and 2021 and the three months ended March 31, 2022, revenue generated from our AR/VR marketing services, AR/VR content and AR/VR SaaS businesses was RMB188.9 million, RMB265.7 million, RMB558.3 million and RMB228.8 million, respectively, accounting for approximately 75.3%, 78.5%, 93.8% and 100.0% of our total revenue during the same period. We are in a rapidly developing market. However, as the AR/VR content and services industry, or the Metaverse scenario application tier, is new and developing, our high historical growth rate may not be indicative of our future performance.

Our ability to accurately forecast our future operating results is limited and subject to a number of uncertainties. We operate in a new and developing market and our business strategies are subject to ongoing changes and developments of the industry. In particular, our profitability and prospects depend on the continuing development and growth of the AR/VR content and services industry and may be affected by a number of factors, many of which are beyond our control, including but not limited to the general development trend of the industry, the emergence of other alternative business methods, changes in government regulations or policies affecting the

RISK FACTORS

industry and the growth of the Internet industry in China or across the world in general. As the Metaverse is a new and evolving concept and the development of the Metaverse is currently immature, governments may impose regulations or guidelines on the Metaverse in the future. The implementation of new regulations or guidelines could require us to change the way we conduct our business, incur additional expenses or retain legal counsel or additional staff to ensure compliance with such regulations. There can be no assurance as to the development and growth of the AR/VR content and services industry at expected rates or at all, and our business model may not be recognized by the market in a timely manner or at all. If the AR/VR content and services industry fails to continue to develop and grow, or develops or grows more slowly than expected, our profitability and prospects may be materially and adversely affected.

Due to our lack of or limited operating history in the AR/VR content and services businesses, the Metaverse industry and the Feitian Metaverse platform, it may be difficult for investors to evaluate our business and growth.

We shifted from games business to AR/VR content and services businesses in 2017 and completed the transition in 2019. We launched our first AR/VR SaaS platform in 2017 and generated revenue from our AR/VR SaaS business in 2019. With our limited operating history in the AR/VR content and services businesses, our ability to accurately forecast our future operating results is limited and subject to a number of uncertainties, including our ability to plan for and model our future growth. We face various challenges and uncertainties, including the fact that we operate in new and developing markets and elements of our business strategy are new and subject to ongoing development.

Metaverse is at its early stage of development and is a constantly developing concept and industry and is expected to continue to evolve. According to iResearch, Metaverse is at present mainly at the 1.0 concept version stage, i.e. the experience attribute stage. Metaverse is expected to evolve and go through Metaverse 2.0 and Metaverse 3.0 stages. For more information, please see the paragraph headed “Industry Overview — Overview of Metaverse Ecosystem” in this prospectus. The development of the Metaverse is highly uncertain and currently immature. The development of the Metaverse is subject to many challenges and constraints, including the development of underlying technologies and infrastructure, imposition of government policies, laws and regulations, and the constantly changing public perceptions. For example, regulations governing the time for which minors may spend playing online games may be applicable to gaming platforms of the Metaverse. If our Feitian Metaverse platform is deemed to be a gaming platform by the authorities, the regulations governing the time for which minors may spend playing online games may be applicable to us and we may incur additional expenses to comply with the relevant regulations. As a participant of the Metaverse, we may be affected by the

RISK FACTORS

setbacks in the development of the Metaverse. See also the paragraph headed “— Any negative publicity with respect to us, the AR/VR industry, Metaverse, or our partners may materially and adversely affect our reputation, business and results of operations” in this section.

In November 2021, we announced that we will be publishing our Feitian Metaverse platform. As our plan for Feitian Metaverse platform is at a preliminary stage with no committed business model for monetization, our development of and future operation with respect to Feitian Metaverse platform are highly uncertain and it may not be possible to fully discern the trends that we are subject to. The development and monetization of our Feitian Metaverse platform depend on the development of the Metaverse, which is itself developing and constantly evolving. We cannot assure you that our attempts to monetize our Feitian Metaverse platform will be successful or that we will generate sustainable revenue or profit from our Feitian Metaverse platform. We face a variety of risks relating to monetizing our Feitian Metaverse platform, most of which are beyond our control, including:

- we may fail to retain and expand our base of end users and business customers;
- we may fail to properly price our products and services on our Feitian Metaverse platform;
- our monetization strategies may be limited by regulations or government policies. We may not obtain all the licenses and permits required by regulations and government policies to carry out our monetization strategies and there is no assurance that we will be able to renew all necessary licenses and permits upon their expiration in a timely manner or at all;
- we may fail to develop or implement new monetization strategies with respect to our Feitian Metaverse platform;
- our products and services offered on Feitian Metaverse platform may fail to compete effectively with the products and services introduced by our competitors. The Metaverse is characterized by rapidly evolving technologies and standards. Our competitors may develop or acquire alternative and competing technologies and standards that could allow them to introduce products or services that better appeal to the end users and business customers and provide similar competitive products or services at lower costs; and
- we may fail to satisfy the expectations of the quality or reliability of our end users and business customers.

RISK FACTORS

If for any reason we fail to effectively monetize our Feitian Metaverse platform or our Feitian Metaverse platform does not succeed, we may not be able to maintain or increase our revenue or sustain profitability, and our business, financial conditions, results of operations and prospects will be materially and adversely affected.

We have encountered and will continue to encounter risks and challenges in emerging and rapidly evolving industries, including our ability to, among other things, attract customers, maintain or increase average spending per customer, increase our brand awareness and enhance monetization. If we fail to address any of the foregoing risks and challenges, our business, financial condition, and results of operations may be materially and adversely affected.

We may not be able to implement our growth strategies or manage our growth effectively.

Our future success depends, to a large extent, on our ability to implement our future plans. We intend to, among other things, extend and enhance our current position in the AR/VR content and services industry in China, including our AR/VR marketing services, AR/VR content and AR/VR SaaS, and build a leading Metaverse platform in China. See the paragraph headed “Business — Our Development Strategies” and the section headed “Future Plans and Use of Proceeds” in this prospectus for detailed information of our future plans.

However, our ability to grow and implement our future plans will be subject to a wide range of operational and financial requirements, including, among others, appropriate allocation of capital investments in implementing various plans, formulation of a successful monetization plan and adequate human resources. We may also be unable to realize our future plans in accordance with the expected timetable, or at all, due to other risks and uncertainties which include, among others, intensifying competition, our ability to retain key employees and maintain favorable labor relations, our financial stability, and our existing business relationships with major customers and suppliers. The execution of our future plans may also be hindered by other factors beyond our control, such as market acceptance and growth of the AR/VR content and services industry, or market acceptance and development of the Metaverse, general market conditions and the domestic and international economic and political environment.

If we fail to implement our growth strategies or manage our growth effectively, this may hinder our ability to capture new business opportunities and maintain our competitive edge, and hence, our business, financial conditions, results of operations and prospects may be materially and adversely affected.

RISK FACTORS

Our historical growth rates may not be indicative of our future growth.

We experienced rapid growth in our revenue during the Track Record Period. Our revenue increased by RMB87.7 million, or 34.9%, from RMB250.9 million in 2019 to RMB338.6 million in 2020, and further increased by RMB256.7 million, or 75.8%, to RMB595.3 million in 2021. Our revenue increased by RMB90.2 million, or 65.0%, from RMB138.7 million in the three months ended March 31, 2021 to RMB228.9 million in the three months ended March 31, 2022.

While our business has grown in the past, we cannot assure you that we will be able to sustain our historical growth rate for various reasons, including uncertainty of our continuous launch of new products and services, intensified competition within the AR/VR content and services industry in China and unforeseen changes in the PRC laws and policies which may have an impact on our businesses. The development of the Metaverse is also highly uncertain and currently immature. Our plan for the Feitian Metaverse platform is at a very preliminary stage with no committed business model for monetization. Our revenue, expenses and operating results may vary from period to period due to factors beyond our control. We cannot assure you that our future revenue will increase or that we will continue to be profitable. Accordingly, investors should not rely on our historical results as an indication of our future financial or operating performance.

In addition, our anticipated expansion and investment in new products and services may place a significant strain on our managerial, operational, financial and human resources. Our current and planned personnel, systems, procedures and controls may not be adequate to support our future operations. We cannot assure you that we will be able to effectively manage our growth or implement all such systems, procedures and control measures successfully. If we are not able to manage our growth or execute our strategies effectively, our business and prospects may be materially and adversely affected.

Any negative publicity with respect to us, the AR/VR industry, Metaverse or our partners may materially and adversely affect our reputation, business and results of operations.

Complaints, litigation, regulatory actions or other negative publicity that arises about the AR/VR industry and Metaverse in general or our Group in particular, including on the quality, effectiveness and reliability of our AR/VR marketing services solutions, our proprietary platform, privacy, security practices or marketing content, even if groundless, could adversely affect our reputation and customers' confidence in us. For example, there has been some negative press coverage on Metaverse on online news medias including Xinhuanet in China. Metaverse was considered to be an overrated and immature concept and may be subject to stricter regulatory scrutiny according to some online news media in China. Damage to our reputation and customers' confidence can also arise for many other reasons, including employee misconduct, misconduct of media platforms or other counterparties, failure by these persons or entities to meet minimum

RISK FACTORS

quality standards or otherwise fulfil their contractual obligations or comply with applicable laws and regulations. Additionally, negative publicity with respect to our data or media platforms could also affect our business and operations to the extent that our business and operations rely on these partners. Moreover, we are vulnerable to adverse market perception as we operate in an industry where integrity, customer trust and confidence are critical. Any litigation and disputes, misconduct of our personnel, changes in senior personnel, customer complaints and the outcome of regulatory investigations or penalties imposed upon us may harm our reputation. Any damage to our reputation may cause our existing and potential customers to be reluctant to procure services from us in the future and therefore may have a material adverse impact on our business, results of operations, financial conditions and prospects.

Our business, growth and prospects are significantly affected by the growth in the SaaS industry and the AR/VR marketing industry in China.

SaaS products remain less common and less mature in terms of development in China compared to the United States. As a result, the transition to SaaS products in China may be slower among customers with heightened data security concerns or demands for highly customizable application software. Our customers' acceptance of our SaaS products depends, to a large extent, on their level of awareness of our SaaS product offerings and the widespread and global use of SaaS products. We cannot assure you that the trend of adopting and utilizing such products by customers will continue to grow in the future.

In addition, marketing through new means and channels such as AR/VR marketing remains less established compared to other conventional means such as search engines. The future growth of our business may be constrained by a combination of the (i) level of acceptance and expansion of emerging AR/VR marketing channels, and (ii) continued use and growth of existing AR/VR marketing channels. Even if AR/VR marketing becomes widely adopted, advertising customers may not be familiar with, or be willing to make significant investments in, services such as ours to assist them in managing their marketing across channels and devices. As a result, we cannot predict with certainty the demand for our solutions and services or the future growth rate and size of the market for our AR/VR SaaS products and AR/VR marketing services.

If we fail to improve and enhance the functionality, performance, reliability, design, security and scalability of our products and services timely to suit our customers' evolving needs, our business, financial condition, results of operations and prospects may be materially and adversely affected.

The markets in which we operate and compete are characterized by constant change and innovation and we expect these markets to continue evolving rapidly. To date, our success has been based on our ability to identify and anticipate the needs of our customers and design

RISK FACTORS

solutions and services that our customers required to develop their businesses. For further information on the solutions and services we offer, see the paragraph headed “Business — Our Services and Products” in this prospectus. Our ability to attract new customers, retain existing customers, increase sales to both new and existing customers and increase cross-sales among our business segments will depend, to a large extent, on our ability to continue improving and enhancing the functionality, performance, reliability, design, security and scalability of our solutions and services.

We may also experience difficulties in keeping pace with rapidly developing technologies, especially those applied in the AR/VR content and services industry such as AR/VR hardware, Internet-related hardware and software, communication, cloud computing, machine learning, application software development platform and database technologies. We may not be successful in either developing these technologies or in applying them in our services or products in a timely manner. Continuous improvement and enhancement of our solutions and services require significant investment and we may not have sufficient resources to do so. To the extent we are not able to improve or enhance the functionality, performance, reliability, design, security and scalability of our solutions and services in a manner that responds to our customers’ evolving needs, or our solutions and services lack the market attractiveness or the ability to solve the pain points in the industry, our existing customers may not repurchase our solutions and services. In particular, the introduction of significant technology changes and upgrades and expansion of our AR/VR marketing services, AR/VR content and AR/VR SaaS may not be successful, or they may not result in long-term success or significant increase in revenue for us. Failure in this regard may significantly impair our revenue growth as well as negatively impact our operating results if the additional costs are not offset by additional revenue. As a result, our business, financial condition, results of operations, and prospects will be adversely affected.

Loss of any existing major media platforms or their agents may materially and adversely affect our business and results of operations.

Apart from our customers, media platforms and their agents are also key participants in our business. By matching the needs of customers with the traffic from media platforms, we enable media platforms to monetize their traffic and assist our customers in gaining traffic of substantial scale. Our continued access to attractive content distribution opportunities and premium media resources remains crucial to our AR/VR marketing services business.

Our success depends on our ability to retain existing media platforms, deepen or expand our relationships with our media platforms and their agents and establish cooperation relationship with new media platforms in the future. For 2019, 2020 and 2021 and the three months ended March 31, 2022, agents of media platforms accounted for four, three, four and five of our top five suppliers, respectively. As of the Latest Practicable Date, we had not owned or controlled any

RISK FACTORS

content distribution channel in China. We typically enter into agreements with media platforms or their agents for a term of one year, and media platforms and their agents are generally not bound by long-term contracts with us. If our media platforms or their agents are no longer satisfied with the monetization efficiency generated by using our services, or if their traffic-related policies or relevant industry policies are adopted or amended in a way unfavorable to us, they may reduce or discontinue their cooperation with us and we would lose a portion or all of the advertising inventories through which we can deliver advertisements. In the event that we cease to cooperate with any existing major media platforms or their agents, we may not be able to complete the advertising delivery for our customers in a timely manner or at all, and may incur significant costs in finding new media platforms or new advertising traffic. We cannot assure you that we will be able to maintain existing business relationship or deepen cooperation with them in the future. Loss of access to any one of our existing major media platforms or the ability to source any alternative media platforms in a timely manner, or at all, may negatively impact our capacity to help customers reach their target consumers and may, in turn, affect our business, brand and results of operations.

Limitations on our ability to collect and use data, or any challenges to our right to collect and use such data, could significantly diminish the value of our technologies and services and cause us to lose our customers and media platforms, and harm our business and results of operations.

Interruptions, failures or defects in our data collection system as well as privacy concerns regarding the collection of device-specific data could limit our ability to analyze such device-specific data. In addition, there is no assurance that the PRC Government will not adopt legislation that prohibits or limits the collection of device-specific data on the Internet and the use of such data, or that third parties will not bring lawsuits against us relating to Internet privacy and data collection. Due to the recent development of laws and regulations on data protection and privacy, other companies such as our customers or suppliers will be subject to more stringent requirements on data sharing with third parties, which may limit our ability to collect data from such other companies. The PRC Government has enhanced its enforcement on the laws and regulations in relation to privacy and data protection in the past and may continue to take enhanced enforcement actions in the future. The *Notice on the Illegal Collection and Use of Personal Information by 129 Apps Such As “Keep”* (《關於Keep等129款App違法違規收集使用個人信息情況的通報》) issued by the CAC in June 2021 is a recent example. The application categories targeted by the competent PRC Government authority include, among others, fitness, live-streaming, online shopping, education, women’s health, dating and application store. The notice aims to enhance the CAC’s scrutiny of the collection and use of data by leading technology companies so as to prohibit them from infringing personal information and privacy. These laws and regulations are constantly evolving and can be subject to significant changes. As a result, the application, interpretation and enforcement of these laws and regulations are often uncertain,

RISK FACTORS

particularly in the rapidly evolving industries in which we operate, and may be interpreted and applied inconsistently. For further information, see the paragraph headed “— We are subject to complex and evolving laws, regulations and governmental policies regarding privacy and data protection. Actual or alleged failure to comply with privacy and data protection laws, regulations and governmental policies could damage our reputation, deter current and potential customers from using our products and services and could subject us to significant legal, financial and operational consequences” in this section. Third-party companies may adjust their policies on data access, data collection and content restrictions from time to time, and such changes are beyond our control. For example, in April 2021, Apple Inc. adopted a new consumer privacy protection policy, requiring app platforms to get explicit permissions from users before tracking their activity across other apps or websites that the app platforms do not own and allowing iPhone users to opt out to be tracked on different apps when using their Apple devices. If third-party companies adjust their policies on data access, data collection and/or content restrictions, we may be unable to provide effective services and lose our customers and media platforms, and our business, financial condition and results of operations would be adversely affected.

We were exposed to concentration risk and counter-party risk of reliance on our major customers and suppliers during the Track Record Period.

During the Track Record Period, we generated a significant portion of our revenue from sales to our major customers and we procured a significant portion of our total purchase amount from our major suppliers. In each of 2019, 2020 and 2021 and the three months ended March 31, 2022, our top five customers accounted for approximately 46.1%, 38.5%, 39.2% and 30.7% of our revenue for the respective year/period. During the same periods, our largest customer accounted for approximately 12.0%, 14.2%, 10.2% and 7.5% of our revenue for the respective year/period. In each of 2019, 2020 and 2021 and the three months ended March 31, 2022, our top five suppliers accounted for approximately 49.9%, 41.1%, 45.1% and 54.2% of our total cost of revenue for the respective year/period. During the same periods, our largest supplier accounted for approximately 16.1%, 9.7%, 13.5% and 14.8% of our total cost of revenue for the respective year/period. As such, we may be subject to concentration risk and counter-party risk from these major customers and suppliers. See the paragraphs headed “Business — Our Customers” and “Business — Our Suppliers” in this prospectus for more details. In addition, our top five customers and top five suppliers varied during the Track Record Period. We cannot guarantee that our major customers and suppliers will continue to work with us or will not reduce their business with us. In particular, we cannot guarantee that our customers will enter into new service contracts with Beijing Flowing Cloud for the Non-restricted Businesses (as defined in the section headed “Contractual Arrangements” in this prospectus) upon termination or expiration of existing service contracts for the Non-restricted Businesses. Moreover, we cannot guarantee that our major customers or suppliers will not have a change of business scope or business model, will continue to maintain their market position and reputation, will not cease to operate or will not experience operational or

RISK FACTORS

financial difficulties. Any material adverse change to the operation, financial performance or financial condition of our major customers and suppliers may have a significant adverse impact on us. If we are unable to find new customers and suppliers on comparable commercial terms or, in the case of customers, with similar revenue contribution, within a reasonable period of time, or at all, our business, financial condition, results of operations and profitability may be adversely affected.

We have a wide industry coverage of customers and our business and results of operations may be indirectly and adversely affected if our customers are subject to more stringent regulations governing their industries.

We have a wide industry coverage of customers and during the Track Record Period, we provided AR/VR content and services to customers from more than 10 industries, including entertainment, gaming, Internet, e-commerce, culture and tourism, business services, education, finance, real estate, automobiles, live-streaming, technology and healthcare. Our customers are subject to regulations governing their industries and our business could be indirectly affected if our customers are subject to more stringent regulations. For example, recent regulatory changes in the gaming and education industries may give rise to more stringent compliance requirements for some of our customers. Our business and results of operations may be indirectly and adversely affected when our customers' businesses are affected as our customers may reduce their overall spending, possibly their purchases of our services, if their businesses are adversely impacted by the more stringent compliance requirements.

If we fail to effectively manage and control our traffic acquisition costs, our gross profit and financial results will be adversely affected.

A significant portion of our revenue is generated using the CPA, CPC or CPM pricing model. We pay our media platforms or their agents traffic acquisition costs for placing advertisements using the CPA, CPC or CPM pricing model. The traffic acquisition costs in the market are beyond our control. The increase in the traffic acquisition costs in the market will directly result in the increase in our traffic acquisition costs. For 2019, 2020 and 2021 and the three months ended March 31, 2022, our traffic acquisition costs amounted to RMB115.3 million, RMB138.4 million, RMB311.5 million and RMB126.7 million, respectively, accounting for 65.6%, 59.2%, 74.2% and 81.5% of our total cost of revenue during the same period, driven partially by the increase in the traffic acquisition costs in the market. Significant increases in the traffic acquisition costs in the market will compress our profit margin and adversely affect our profitability and financial results. We rely on historical data to conduct analysis and set advertisement placement strategies. If our advertisement placement strategies do not lead to expected advertising targets, we may incur higher costs than predicted, which will affect our gross profit. If we cannot effectively manage such costs, our profitability and financial results will be adversely affected.

RISK FACTORS

We recorded negative operating cash flow for the three months ended March 31, 2021 and 2022.

Our net cash used in operating activities was RMB11.1 million for the three months ended March 31, 2021, primarily due to (i) a decrease in contract liabilities mainly because we completed the performance of certain AR/VR marketing services and delivered AR/VR content and IPs in relation to the contract liabilities in the three months ended March 31, 2021, and (ii) an increase in prepayments mainly for purchasing advertising traffic in connection with our AR/VR marketing services as we usually secure traffic important to our operation at the beginning of the year. Our net cash used in operating activities was RMB12.6 million for the three months ended March 31, 2022, primarily due to (i) an increase in trade and other receivables and deposits due to the growth of our AR/VR marketing services, AR/VR content and AR/VR SaaS businesses, and (ii) an increase in prepayments mainly for purchasing advertising traffic in connection with our AR/VR marketing services as we usually secure traffic important to our operation at the beginning of the year and for purchasing outsourcing services in connection with our AR/VR content business expansion. For further information, see the paragraphs headed “Financial Information — Discussion of Certain Key Consolidated Balance Sheets Items” and “Financial Information — Liquidity and Capital Resources — Cash Flow” in this prospectus.

We cannot assure you that we will be able to generate positive cash flows from operating activities in the future. If we record net operating cash outflows in the future, our working capital may be constrained which may adversely affect our financial condition. Our future liquidity, payment of trade payables, and bank and other borrowings primarily depend on our ability to maintain adequate cash inflows from our operating activities and adequate external financing. If we are unable to maintain our sources of funding in a timely manner and on reasonable terms, or at all, we may face liquidity issues and our business, financial condition and results of operations may be materially and adversely affected.

We are exposed to credit risk in relation to our customers, which could adversely impact our financial condition, results of operations and operating cash flow.

We are exposed to credit risk in relation to our trade receivables. The balance of our trade receivables was RMB96.7 million, RMB139.8 million, RMB161.9 million and RMB197.9 million as of December 31, 2019, 2020 and 2021 and March 31, 2022, respectively. As of December 31, 2019, 2020 and 2021 and March 31, 2022, our allowance for credit losses of trade receivables was RMB5.5 million, RMB7.9 million, RMB7.0 million and RMB12.6 million, respectively. For 2019 and 2020, our impairment losses recognized on trade receivables was RMB2.6 million and RMB2.4 million, respectively, and our impairment losses reversed on trade receivables for 2021 was RMB0.9 million. For the three months ended March 31, 2022, our impairment losses recognized on trade receivables was RMB5.6 million. We generally grant a credit period ranging from several working days to six months typically after receipt of our VAT invoice, which is interest free with no collateral. We cannot guarantee that our customers will settle our trade receivables in full or at all, whether within the credit period or not, and our trade receivable turnover days may increase in the future. If any of our customers with significant outstanding trade

RISK FACTORS

receivable balances were to become insolvent or otherwise unable to make payments in a timely manner, or at all, we would have to make further provisions against such trade receivables, or write off the relevant amounts, either of which could adversely affect our profitability and liquidity position. See the paragraph headed “Financial Information — Financial Risks Disclosure — Credit Risk” and Note 33 to the Accountants’ Report set out in Appendix I to this prospectus.

Any discontinuation, reduction or delay of any preferential tax treatments or government grants that may be available to us in the future could materially and adversely affect our business, financial condition and results of operations.

We have benefited from preferential tax treatments from the PRC Government. For example, Ophyer Technology was qualified as a high and new technology enterprise and enjoyed lower income tax rate of 15% during the Track Record Period. In addition, certain of our PRC subsidiaries have been approved as small low-profit enterprises and were subject to a preferential income tax rate of 5% or 10% during the Track Record Period. The PRC Government may decide to reduce, eliminate, decline to renew or cancel our tax preferences in the future. Therefore, we cannot assure you of the continued availability of such preferential tax treatments which we currently enjoy. We also received government grants primarily in the form of interest subsidies, which are typically on a one-off basis. Any discontinuation, reduction or delay of the preferential tax treatments or government grants could adversely affect our financial condition and results of operations. See the paragraph headed “Financial Information — Description of Major Components of Our Results of Operations — Other Gains and Losses” in this prospectus.

We are subject to risks of recoverability of deferred tax assets.

Deferred tax assets are generally recognized for all deductible temporary differences and unused tax losses to the extent that future taxable profit will be available to utilize against such asset recognized prior to their expiry. As of December 31, 2019, 2020 and 2021 and March 31, 2022, our deferred tax assets amounted to RMB0.8 million, RMB1.1 million, RMB1.3 million and RMB3.2 million, respectively. Significant management judgment is required to determine the amount of deferred tax assets that can be recognized, based upon the timing and amount of forecasted future taxable profits at the relevant times together with future tax planning strategies. Any changes in management judgment as well as the future operating results of the relevant entities would affect the carrying amounts of deferred tax assets to be recognized and the recoverability of deferred tax assets recognized in our consolidated financial statements, and hence could materially and adversely affect our financial condition and results of operation in future years.

Our large prepayments to major suppliers for advertising traffic acquisition may involve significant uncertainty.

During the Track Record Period, we made significant prepayments to major suppliers for advertising traffic acquisition. The balance of our prepayments for advertising traffic acquisition as of December 31, 2019, 2020 and 2021 and March 31, 2022 was RMB44.7 million, RMB85.9

RISK FACTORS

million, RMB138.4 million and RMB171.5 million, respectively. If the amount of prepayments paid to major suppliers for traffic acquisition increase significantly in the future, we may experience issues related to business operation and capital insufficiency caused by mismatched prepayment for purchases of advertising traffic and the collection of trade receivables. In addition, as we make prepayment with cash on hand, the significant increase in prepayment may adversely affect our operating cash flow materially. Furthermore, as our prepayments are generally not refundable, we will not be able to use refunds for prepayments to mitigate any stress on our operating cash flow and our operating cash flow may be adversely affected. If our suppliers change the price or material terms of our advertising traffic purchase arrangement, we may be subject to price pressure and may incur more traffic acquisition costs than we expected. If our suppliers fail to provide relevant traffic resources to us, our business may be materially and adversely affected. Moreover, any material adverse change to the operation, financial performance or financial condition of these suppliers may have a significant adverse impact on us.

Our operating results are subject to seasonal fluctuations.

We have experienced, and expect to continue to experience, seasonal fluctuations in our revenue and results of operations. Our revenue from the first quarter of each calendar year generally contributes a smaller portion of our total revenue in the year, primarily due to the closure of businesses at the beginning of the calendar year in which the Chinese New Year holidays fall, resulting in less demand from our customers. As a result, our revenue may vary from quarter to quarter, and you may not be able to predict our annual results of operations based on a quarter-to-quarter comparison of our results of operations. As a result of the continued growth of our service and product offerings, we believe that our business may become more seasonal in the future, and that historical patterns in our business may not be a reliable indicator of our future sales activity or performance, and any quarterly fluctuations in our revenue and results of operations could result in volatility and cause the price of our Shares to fall. As our revenue grows, these seasonal fluctuations may become more pronounced as a result.

Failure to fulfill our obligations in respect of contract liabilities could materially and adversely affect our results of operation, liquidity and financial position.

Our contract liabilities represent our obligations to provide the contracted services and products to customers. Our contract liabilities mainly arise from the advance payments in relation to our AR/VR marketing services, AR/VR content, AR/VR SaaS and IP products ordered by the customers while the underlying services or products are yet to be provided. As of December 31, 2019, 2020 and 2021 and March 31, 2022, we had contract liabilities of RMB19.0 million, RMB44.4 million, RMB21.1 million and RMB24.3 million, respectively. For further details, see the paragraph headed “Financial Information — Discussion of Certain Key Consolidated Balance Sheets Items — Contract Liabilities” in this prospectus.

RISK FACTORS

There is no assurance that we will be able to fulfill our obligations in respect of contract liabilities as the completion of our services or products is subject to various factors, including our operation capabilities and normal operations of our business. If we are not able to fulfill our obligations with respect to our contract liabilities, the amount of contract liabilities will not be recognized as revenue, and we may have to return the advance payment made by our customers. As a result, our results of operations, liquidity and financial position may be materially and adversely affected.

We face intensive competition in the markets in which we operate and may not be able to compete successfully against our existing and future competitors.

We face competition in various aspects of our business and we expect such competition to continue to grow in the future. According to iResearch, there were more than 5,000 players in the AR/VR content and services market in China and we only had a market share of 2.6% in terms of revenue in 2021. Moreover, certain of our competitors have longer operating histories and experience, larger customer bases, greater brand recognition, more extensive commercial relationships within China, and greater financial, technical, marketing and other resources than we do. As a result, such competitors may be able to develop products and services better received by customers or may be able to respond more quickly and effectively to new or changing opportunities, technologies, regulations or customers' needs. Traditional online marketing companies and offline advertising companies may compete with our AR/VR marketing services business for our customers' advertising budgets. We also compete for customers' overall marketing spending with direct marketing, print advertising companies and traditional media such as television, radio and cable companies. In addition, some of our competitors may be able to leverage a larger existing customer base and sales network to adopt more aggressive pricing policies and offer more attractive sales terms. This could cause us to lose potential sales or compel us to sell our solutions and services at lower prices to remain competitive, which may have a material adverse impact on our results of operation and financial condition.

We may be subject to further competition if any of our competitors enter into business partnerships or alliances or raise significant additional capital, or if established companies from other market segments or geographical markets expand into our market segments or geographical markets. Any existing or potential competitors may also choose to operate based on a different pricing model or undercut prices in order to increase their market share. If we are unable to compete successfully against our current or potential competitors, our business, results of operations, and financial condition may be negatively impacted.

RISK FACTORS

We may be unable to obtain any additional capital required in a timely manner or on acceptable terms, or at all. Further, our future capital needs may require us to sell additional equity or debt securities that may dilute our Shareholders' shareholdings or introduce covenants that may restrict our operations or our ability to pay dividends.

To grow our business and remain competitive, we may require additional capital from time to time for our daily operations. Our ability to obtain additional capital is subject to a variety of uncertainties, including:

- our market position and competitiveness in the industries in which we operate;
- our future profitability, overall financial condition, results of operations and cash flows;
- general market conditions for capital-raising activities by our competitors or other AR/VR content and services and SaaS product providers in China;
- uncertainty and immaturity of Metaverse in general; and
- economic, political and other conditions in China and internationally.

We may be unable to obtain additional capital in a timely manner or on acceptable terms, or at all. In addition, our future capital or other business needs could require us to sell additional equity or debt securities, or to obtain a credit facility. The sale of additional equity or equity-linked securities could dilute our Shareholders' shareholdings. Any incurrence of indebtedness will also lead to increased debt service obligations, and could result in operating and financing covenants that may restrict our operations or our ability to pay dividends to our Shareholders.

We store personal information belonging to our customers in relation to our AR/VR marketing services and AR/VR SaaS products on our systems. If our security is compromised, or such information is otherwise accessed without authorization, our reputation may be harmed, and we may be exposed to potential liability and significant loss of business.

Under certain circumstances, we store mobile phone numbers and other confidential information relating to our customers such as their names, addresses and contact information, and are subject to PRC laws and regulations regarding privacy and the protection of data. We also collect confidential data and information from third-party suppliers. We are required to collect and use the confidential data and information in accordance with PRC laws and not to disclose or use such data and information without consent. For further information, see the paragraph headed “— We are subject to complex and evolving laws, regulations and governmental policies regarding

RISK FACTORS

privacy and data protection. Actual or alleged failure to comply with privacy and data protection laws, regulations and governmental policies could result in us being ordered by the competent PRC Government authorities to correct the illegal behavior, given a warning, confiscated of illegal gains, ordered to terminate the provision of services, or imposed a fine; and could also damage our reputation, deter current and potential customers from using our products and services and could subject us to significant legal, financial and operational consequences” in this section and the paragraph headed “Regulatory Overview — Laws and Regulations Relating to Information Security and Privacy Protection” in this prospectus.

We do not frequently monitor or review content uploaded and stored by our customers on our system. Therefore, we do not control the substance of the content on our system, which may include personal information. We cannot assure you that third parties will not succeed in their attempts to obtain unauthorized access to any personally identifiable information relating to our customers. Such information may also be otherwise exposed through human error or other malfeasance. Any unauthorized access or compromise of such personally identifiable information could have an adverse effect on our business, financial condition and results of operations.

System disruptions, distributed denial of service attacks, or other hacking and phishing attacks on our system and security breaches may delay or interrupt services to our customers, harm our reputation and subject us to significant liability, which in turn may adversely affect our business, results of operations and financial results.

Notwithstanding that we did not experience any material interruptions in our system during the Track Record Period, our system may be subject to system disruptions and distributed denial of service (DDoS) attacks, a technique used by hackers to take an Internet service offline by overloading its servers and we cannot assure you that any applicable recovery system, security protocol, network protection mechanisms or other defense procedures are, or will be, adequate to prevent such network or service interruptions, system failures or data losses. Additionally, our infrastructure and system may also be breached if any vulnerabilities therein are exploited by unauthorized third parties.

We may not be able to implement sufficient preventative measures or stop the DDoS attacks, hacking and phishing attacks while they are occurring. A DDoS attack other hacking and phishing attack or security breach could delay or interrupt our services to our customers. This, in turn, may deter end users from visiting our customers’ AR/VR storefronts, hence affecting their overall user experience. Any actual or perceived attacks or security breaches may also damage our reputation and brand, expose us to risks of potential litigation and liabilities, and require us to expend significant capital and other resources to alleviate problems caused by such attacks or security breaches. Should a high-profile or highly publicized security breach occur with respect to other

RISK FACTORS

AR/VR content or service providers or SaaS products providers, customers may lose confidence in the security of our products and service model as a whole, which would have a material adverse impact on our ability to retain existing customers and attract new ones.

If the advertising performance data or other data provided to us is inaccurate or fraudulent, it may have an adverse impact on our business, results of operations and reputation.

We depend on the accuracy and genuineness of advertising performance data and other data provided by our advertising customers in evaluating the effectiveness of our advertising customers' marketing campaigns and determining the AR/VR marketing services fees that we receive from advertising customers and the traffic acquisition costs that we pay to media platforms or their agents. There can be no assurance that our management procedures to secure data accuracy and genuineness are always effective or adequate. If the advertising performance data or other data provided by our advertising customers is inaccurate or fraudulent, we will not be able to improve precision or achieve better performance for our advertising customers' advertisements or greater monetization efficiency for media platforms. If our system fails to detect fraudulent advertising performance data or other data, we may have to pay unnecessary traffic acquisition costs to media platforms or their agents based on these fraudulent data, and advertising customers may refuse to pay us fees due to the ineffectiveness of the marketing campaigns, which could result in disputes with our customers or media platforms or their agents, harm to our reputation and loss of our advertising customers and media platforms, and adversely affect our business, results of operations and financial conditions.

In addition, there is no assurance that there will not be illegitimate or fraudulent clicks on advertisements, which would lower the return on our advertising customers' investment, and hence their willingness to use our services would be adversely affected. Any of these events will impair the performance of our AR/VR marketing services business, reduce customer satisfaction, and lead to loss of customers, which could harm our reputation and adversely affect our business, financial condition, results of operations and prospects.

Misappropriation or misuse of marketing data could result in claims from our customers, increased cost of operations, or adverse impact on our reputation, or otherwise harm our business.

In providing our AR/VR marketing services, we have built data storage and computing containers to store and compute information and data in relation to our AR/VR marketing services. We cannot assure you that we will be able to completely prevent unauthorized individuals from gaining access to these database servers. Unauthorized access to our servers or abuse by our employees may take place, which could result in the theft or loss of our marketing data. If

RISK FACTORS

marketing data is misappropriated, misused or lost, we could lose customers or media platforms, or become subject to liability or litigation, and our reputation could be harmed, any of which could materially and adversely affect our business and results of operations.

Laws and regulations relating to data collection, processing, use, disclosure and retention are continually evolving, are not always clear, and the measures we take to comply with these laws, regulations and industry standards may not always be effective. Failure to comply with these laws and regulations may subject us to penalties including fines, orders to suspend the relevant business or suspend the business for rectification, or to revoke the relevant business permit or business license. We may be subject to litigation or enforcement action or reduced demand for our services or solutions if we fail to abide by applicable laws. Any proceeding or perception of concerns relating to our collection, processing, use, disclosure, and retention of data, including our security measures applicable to the data we collect, whether or not valid, could adversely affect our reputation, force us to spend significant amounts on the defense of these proceedings, distract our management, increase our costs of doing business and inhibit the use of our services, which could materially and adversely affect our business, results of operations and financial condition.

If our products and solutions contain serious errors or defects, we may lose our sources of revenue and our customers may lose confidence in our products and services. In addition, we may incur significant costs in defending or settling claims with our customers as a result of such serious errors or defects.

Products and solutions within the AR/VR content and services industry, such as those we develop, often contain errors, defects, security vulnerabilities or software issues that are difficult to detect and correct, particularly when first introduced or when new versions or enhancements are released. If we are unable to successfully detect or correct accordingly in a timely manner or at all, it could result in revenue loss, significant expenditures of capital, a delay or loss in market acceptance and damage to our reputation and brand, any of which could have an adverse effect on our business, reputation, financial condition, and results of operations.

Given that many of our customers use our products and services in processes that are critical to their businesses, any error, defect, security vulnerability, service interruption or software issue in our platform could result in losses to our customers. Our customers may seek significant compensation from us for any losses they suffer or cease conducting business with us as well. Further, our customers may share information about their negative experiences on social media, which could damage our reputation and result in a loss of future sales. We cannot assure you that provisions limiting our exposure to claims, which we typically include in agreements with our customers, would be enforceable, adequate or would otherwise protect us from liabilities or

RISK FACTORS

damages with respect to any particular claim. Even if unsuccessful, a claim brought against us by any of our customers would likely be time-consuming, costly to defend and may have a material adverse impact on our reputation and brand, making it harder for us to sell our products and services.

Any interruption or delay in services from third parties, including data center hosting facilities and cloud computing server providers and other hardware and software vendors, or from our inability to adequately plan for and manage service interruptions or infrastructure capacity requirements, may impair the delivery of our services, and materially and adversely affect our business and results of operations.

We rely on third-party data center hosting facilities and cloud computing platform providers located in China. We also rely on computer hardware purchased from, software licensed from, and cloud computing platforms provided by, third parties in order to offer our services. Any damage to, or a failure of, our systems generally, including systems of our third-party platform providers, could result in interruptions in our services. In the past, we have experienced interruptions in our services, and such interruptions may occur in the future. Interruptions in our services may cause us to issue credits or pay penalties to our customers, cause our customers to make warranty or other claims against us. Any of this could create a material and adverse effect on our ability to attract new customers, which in turn could reduce our revenue. Our business and reputation may also be harmed if our customers, or potential customers, believe that our products and services are unreliable.

We do not control the operation of any of these facilities provided by third-party providers, which may be vulnerable to damage or interruption from earthquakes, floods, fires, power loss, telecommunications failures, and similar events. These facilities may also be subject to break-ins, sabotage, intentional acts of vandalism and similar misconduct, as well as local administrative actions, changes to legal or regulatory requirements and litigious proceedings to stop, limit or delay operations. There is no assurance that precautions taken by our third-party providers at these facilities, such as disaster recovery and business continuity arrangements, would effectively prevent the occurrence of an act of terrorism or natural disaster. A decision to close the facilities without adequate notice or other unanticipated problems at these facilities could result in lengthy interruptions in our services.

Additionally, these hardware, software, data and cloud computing platforms may not continue to be available to us at reasonable prices, on commercially reasonable terms, or at all. If we lose our right to use any of these hardware, software or cloud computing platforms, this could significantly increase our expenses or otherwise result in delays in the provision of our services until equivalent technology is either developed by us, or, if available, is identified, obtained through purchase or license and integrated into our services. If the performance of such third

RISK FACTORS

parties proves unsatisfactory, or if any of them violates its contractual obligations to us, we may need to replace such third-party and/or take other remedial action, which could result in additional costs and materially and adversely affect the products and services we provide to our customers. Further, the financial condition of our third-party providers may deteriorate over the course of our contract term with them, which may also impact the ability of such third-party to provide the agreed services, and have a material adverse effect on the services we provide to our customers, and our results of operations.

If we lack requisite approvals, licenses or permits applicable to our business, it may have a material adverse effect on our business and results of operations.

The laws and regulations on our industry and Internet-related businesses, and the licensing and permit requirements pertaining to our Group and companies in the Internet-related business, are relatively new and evolving. For example, the *Supervision and Administration of Online Trading* (《網絡交易監督管理辦法》) (the “**Online Trading Measures**”) published by the SAMR on March 15, 2021, which came into effect on May 1, 2021, aims to regulate business activities involving the sale of commodities or provision of services through the Internet and other information networks by online transaction operators. According to the Online Trading Measures, online transaction operators may not engage in business operations without a licence or permit in violation of any law, regulation or decision of the State Council. As advised by our PRC Legal Advisors, we are not an online transaction operator, but shall be classified as an “other service provider” that provides public and promotion services for online transaction operators as defined under the Online Trading Measures. According to the Online Trading Measures, we are obliged to promptly assist the SAMR in its legal investigation and enforcement against any illegal online transactions, and are required to provide relevant data and information and to assist the regulatory authorities by taking any necessary actions to stop any illegal act committed by an online transaction operator. We may incur additional costs if we are required to provide assistance to the regulatory authorities to stop any illegal act committed by an online transaction operator, which may adversely affect our business and results of operations. See the section headed “Regulatory Overview” in this prospectus for details. The interpretation and enforcement of these laws and regulations also involve significant uncertainties. As a result, in certain circumstances, it may be difficult to determine what may be deemed to be a violation of applicable laws and regulations.

We are required to hold several licenses, permits and approvals in connection with our business operation, such as the ICP license and the radio and television programs production business license. For details, see the paragraph headed “Business — Licenses and Permits” in this prospectus. These licenses and permits are subject to periodic review and renewal by the relevant government authorities and our continued compliance with certain standards and requirements. Conducting business without these licenses, permits and approvals will expose us to a fine, and the competent PRC Government authority may order us to suspend business for rectification or

RISK FACTORS

prohibit us from doing business if they consider our violations to be serious. There can be no assurance that we have obtained or are able to renew all the permits or licenses required for conducting our business in all jurisdictions where we operate, or that we will be able to maintain our existing licenses or permits or obtain new ones. Non-renewal of, or delay in obtaining, all requisite licenses and permits may disrupt our ongoing business operations, which may have a material adverse effect on our business, results of operations and financial condition.

If the PRC Government considers that we were operating without proper approvals, licenses or permits, or promulgates new laws and regulations that require additional approvals or licenses or imposes additional restrictions on the operation of any part of our business, it has the power, among other things, to levy fines, confiscate our income, revoke our business licenses, and require us to discontinue our relevant business or impose restrictions on the affected portion of our business. Any of these actions by the PRC Government may have a material adverse effect on our business and results of operations.

We may be unable to obtain, maintain or protect our intellectual property rights and proprietary information or prevent third parties from any unauthorized use of our technologies.

Our trade secrets, trademarks, copyrights, patents, and other intellectual property rights are critical to our success. As of the Latest Practicable Date, we had 31 trademarks in various categories, nine invention patents, one design patent, 13 domain names, 287 software copyrights and 21 artwork copyrights registered in China and 10 trademarks registered in Hong Kong. We rely on, and expect to continue to rely on, a combination of confidentiality and non-compete, invention assignment and license agreements with our employees, and third parties with whom we have relationships, as well as our trademark, domain names, copyrights, trade secrets, patents, and other intellectual property rights to protect our brand. However, events beyond our control may pose a threat to our intellectual property rights, as well as to our products and services. Effective protection of trademarks, copyrights, domain names, patents, and other intellectual property rights is expensive and difficult to maintain, both in terms of application and costs, as well as the costs of defending and enforcing those rights. We cannot assure you that our efforts to protect our intellectual property rights are either sufficient or effective. As a result, our intellectual property rights may be infringed, misappropriated or challenged, which could result in them being narrowed in scope or declared invalid or unenforceable.

Similarly, our reliance on unpatented proprietary information and technology, such as trade secrets and confidential information, depends in part on our agreements with employees and third parties which contain restrictions on the use and disclosure of such intellectual property. These agreements may be insufficient or may be breached, either of which could potentially result in the unauthorized use or unauthorized disclosure of our trade secrets and other intellectual property,

RISK FACTORS

including to our competitors. As a result, we could lose our crucial competitive advantage derived from such intellectual property. Significant impairments to our intellectual property rights, and limitations on our ability to assert our intellectual property rights against others, may result in a material and adverse effect on our business.

We may be subject to claims by third parties for intellectual property infringement.

We depend to a large extent on our ability to effectively develop and maintain intellectual property rights relating to our business. However, we cannot assure you that third parties will not put forward claims that our business infringes upon or otherwise violates patents, copyrights or other intellectual property rights which they hold, whether such claims are valid or otherwise. We may face allegations that we have infringed the trademarks, copyrights, patents and other intellectual property rights of third parties, including our competitors, or allegations that we are involved in unfair trade practices. Our products and services may become involved in litigious proceedings relating to allegations of infringement of intellectual property rights, unfair competition, invasion of privacy, defamation and violations of rights of third parties. The validity, enforceability and scope of protection of intellectual property rights, particularly within China, are still evolving. As we face increasing competition and as litigation becomes a more commonly pursued method for resolving commercial disputes in China, we face a higher risk of being the subject of intellectual property infringement claims.

Defending against intellectual property claims is costly and can impose a significant burden on our management and resources. Further, there is no guarantee that we can obtain favorable final outcomes in all cases. Any such intellectual property claims may harm our brand and reputation, even if they are vexatious or do not result in liability. Any resulting liability or expenses, or changes required to our products or services to reduce the risk of future liability, may have a material adverse effect on our business, results of operations and prospects.

If we determine our intangible assets to be impaired, our results of operations and financial condition may be adversely affected.

As of December 31, 2019, 2020 and 2021 and March 31, 2022, our intangible assets amounted to RMB11.8 million, RMB25.8 million, RMB29.3 million and RMB53.9 million, respectively, which consisted of (i) adaptation rights for novels, IP images and cartoon characters for our own use in the AR/VR marketing services and AR/VR content businesses and on our AR/VR SaaS platform and (ii) computer software. The value of intangible assets is based on a number of assumptions made by our management. If any of these assumptions does not materialize, or if the performance of our business is not consistent with such assumptions, we may have to write off a significant portion of our intangible assets and record a significant impairment loss. In addition, our determination on whether intangible assets are impaired requires an

RISK FACTORS

estimation of the carrying amount and recoverable amount of an intangible asset. If the carrying amount exceeds its recoverable amount, our intangible assets may be impaired. During the Track Record Period, we did not recognize impairment losses in respect of our intangible assets. However, we cannot guarantee that in the future we will not record any impairment loss on our intangible assets. The impairment of our intangible assets could have a material adverse effect on our business, financial condition and results of operations.

We are dependent on the continued services and performance of our senior management and other key employees, the loss of any of whom could adversely affect our business, operating results and financial condition.

Our future performance depends on the continued services and contributions of our senior management, including our chief executive officer, chief technology officer, chief financial officer, vice president and other key employees to oversee and execute our business plans and identify and pursue new opportunities and product innovations. Any loss of service of our senior management or other key employees can significantly delay or prevent us from achieving our strategic business objectives, and adversely affect our business, financial condition and operating results. From time to time, there may be changes in our senior management team, resulting from the hiring or departure of executives, which could also disrupt our business. Hiring suitable replacements and integrating them within our business also require significant amount of time, training and resources, and may impact our existing corporate culture.

If we are unable to attract, retain or motivate qualified personnel, our business may be adversely affected.

Our future success depends, in part, on our ability to continue to attract and retain highly skilled personnel specializing in the Internet-related services, software development, marketing and art design. The inability to attract or retain qualified personnel or delays in hiring required personnel may cause significant harm to our business, financial condition and operating results. Our ability to continue to attract and retain highly skilled personnel, specifically employees with high level of technical and engineering skills and employees with extensive experience in designing and developing software and Internet-related services, will be critical to our future success. If we lose the services of such qualified personnel, we may not be able to locate suitable or qualified replacements, and may incur additional expenses to recruit and train new staff, which could severely disrupt our business and growth, therefore materially and adversely affecting our business, financial condition, results of operations and prospects.

RISK FACTORS

Meanwhile, the size and scope of our business may require us to hire and retain a wide range of effective and experienced personnel who can adapt to a dynamic, competitive and challenging business environment. Competition for talent and qualified personnel in the PRC's AR/VR content and services industry is intense, and the availability of suitable and qualified candidates in the PRC is limited. Competition for these individuals could cause us to offer higher compensation and other benefits to attract and retain them. In addition, even if we were to offer higher compensation and other benefits, we cannot assure you that these individuals would choose to join or continue working for us. If we fail to attract and retain personnel with suitable expertise, or to maintain an adequate labor force on a continuous and sustained basis, our financial position and results of operations could be materially and adversely affected.

Activities of our customers, employees, business partners and/or other third parties or the content of our customers' AR/VR storefronts could damage our brand, subject us to liability and harm our business and financial results.

Our terms of service prohibit our customers from using our solutions or services to engage in illegal activities, and our terms of service permit us to curb these customers and report such illegal use to relevant authorities if we become aware of such illegal use. Our customers may nonetheless engage in prohibited or illegal activities or upload content in violation of applicable laws, which could subject us to liability. Further, our brand may be negatively impacted by the actions of customers that are deemed to be hostile, offensive, inappropriate or illegal. We do not proactively monitor or review the appropriateness of the content of our customers' AR/VR storefronts and we do not have control over our customers' activities. The safeguards we have in place may not be sufficient for us to avoid liability or avoid harm to our brand, especially if such hostile, offensive, inappropriate or illegal use is high-profile, which could adversely affect our business and financial results.

Furthermore, our employees, business partners, as well as other third parties who have entered into business relationships with our business partners, may be subject to regulatory penalties or punishments because of their non-compliance, which may, directly or indirectly, affect our business. We cannot be certain whether such third parties have infringed or will infringe any other parties' legal rights or violate any regulatory requirements. We cannot rule out the possibility of incurring liabilities or suffering losses due to any non-compliance by our employees, business partners or other third parties. We cannot assure you that we will be able to identify irregularities or non-compliances of our employees, in the business practices of our business partners or other third parties, or that such irregularities or non-compliance will be corrected in a prompt and proper manner. The legal liabilities and regulatory actions on our employees, business partners or other third parties involved in our business may affect our business activities and reputation, which may in turn affect our results of operations.

RISK FACTORS

We may be subject to legal proceedings in the ordinary course of our business. If the outcomes of these proceedings are adverse to us, they could have a material adverse effect on our business, results of operations and financial condition.

We may be subject to legal proceedings from time to time in the ordinary course of our business, which could have a material adverse effect on our business, results of operations and financial condition. We may receive formal and informal inquiries from government authorities and regulators regarding our compliance with laws and regulations, which are evolving and subject to interpretation. Claims arising out of actual or alleged violations of law could be asserted against us by customers, suppliers, competitors, governmental entities in civil or criminal investigations and proceedings or other entities.

There is no guarantee that we will be successful in defending ourselves in legal and administrative actions or in asserting our rights under various laws. Even if we are successful in our attempt to defend ourselves in legal and administrative actions or to assert our rights under various laws, enforcing our rights against the various parties involved may be expensive, time-consuming and ultimately futile. These actions could expose us to negative publicity and to substantial monetary damages and legal defense costs, injunctive relief and criminal and civil fines and penalties, including, but not limited to, suspension or revocation of licenses to conduct business.

Our non-compliance with certain regulations regarding employee social welfare scheme in the PRC could lead to the imposition of fines and penalties on us.

We are required to make social insurance and housing provident fund contributions for our employees. During the Track Record Period, we did not pay housing provident funds for two employees. If the relevant authorities determine that we have to make supplemental housing provident fund contributions, and that we are subject to administrative fines, our business and financial condition and results of operations may be adversely affected. As advised by our PRC Legal Advisors, we may be subject to a maximum administrative fine of RMB100,000 for the above non-payment of housing provident fund contributions. For details of the non-payment of housing provident fund contributions, please refer to “Business — Employees” in this prospectus.

Non-compliance with the PRC advertising laws, rules and regulations could subject us to liabilities.

We provide marketing services to our advertising customers in our AR/VR marketing services business. Advertisements from our advertising customers are placed on media platforms such as websites, apps and social media platforms. Under the relevant PRC advertising laws and regulations, we are obligated to monitor the advertising content provided by our advertising

RISK FACTORS

customers to ensure that such content is true, accurate and in full compliance with applicable laws and regulations. Violation of these laws and regulations may subject us to penalties, including fines, confiscation of our AR/VR marketing services income, orders to cease dissemination of the advertisements and orders to publish an announcement correcting the misleading information. See the paragraph headed “Regulatory Overview — Laws and Regulations Relating to Marketing Business” in this prospectus. We cannot assure you that all the content contained in the advertisements provided by our advertising customers is true, accurate and in full compliance with applicable advertising laws and regulations, especially given the uncertainty in the application of these laws and regulations. The inability of our systems and procedures to adequately and timely discover such non-compliances by our advertising customers may subject us to regulatory penalties or administrative sanctions.

In addition, pursuant to relevant PRC advertising laws and regulations, Internet advertisements should not affect users’ normal Internet use and Internet pop-up advertisements must display a “close” sign prominently and ensure one-click close. All Internet advertisements are also required to be marked with the word “advertisement” so that viewers can easily identify them as such. Otherwise, the relevant regulatory authorities may order the online advertising service providers to rectify within a certain time limit and/or impose a fine of no more than RMB100,000. Failure to comply with these requirements and any penalties or fines may reduce the attractiveness of our AR/VR marketing services and increase our costs and could materially and adversely affect our business, results of operations and financial condition.

We may be subject to administrative sanctions or lawsuits from time to time in the course of our AR/VR marketing services business. Our AR/VR marketing services business is required to comply with the provisions of the *Advertising Law of the PRC* (《中華人民共和國廣告法》) promulgated by the SCNPC last amended on April 29, 2021 and the *Interim Measures for the Administration of Internet Advertising* (《互聯網廣告管理暫行辦法》) issued by the SAIC on July 4, 2016, and is subject to the supervision of market supervision and management authorities. Claims arising out of actual or alleged violations of law could be asserted against us by advertising customers, media platforms, competitors, or by governmental entities in civil or criminal investigations and proceedings or by other entities. These claims could be asserted under a variety of laws and regulations in different jurisdictions, including but not limited to advertising laws, Internet information services laws, intellectual property laws, unfair competition laws, data protection and privacy laws. There is no guarantee that we will be successful in defending ourselves in administrative and legal actions or in asserting our rights under various laws. Even if we are successful in our attempt to defend ourselves in administrative and legal actions or to assert our rights under various laws, enforcing our rights against various parties involved may be expensive, time-consuming and ultimately futile. These actions could expose us to negative

RISK FACTORS

publicity and to substantial monetary damages and legal defense costs, injunctive relief and criminal and civil fines and penalties. If we are subject to such penalties or sanctions, our business, results of operations and financial condition could be materially and adversely affected.

We are subject to complex and evolving laws, regulations and governmental policies regarding privacy and data protection. Actual or alleged failure to comply with privacy and data protection laws, regulations and governmental policies could damage our reputation, deter current and potential customers from using our products and services and could subject us to significant legal, financial and operational consequences.

In recent years, privacy and data protection have become an increasing regulatory focus of government authorities across the world. The PRC Government has enacted a series of laws, regulations and governmental policies for the protection of personal data in the past few years. Such regulatory requirements on data privacy are constantly evolving and can be subject to varying interpretations or significant changes, resulting in uncertainties about the scope of our responsibilities in that regard. For example, on June 10, 2021, the SCNPC promulgated the *PRC Data Security Law* (《中華人民共和國數據安全法》), which took effect in September 2021. The Data Security Law provides for a security review procedure for the data activities that may affect national security. On August 20, 2021, the SCNPC promulgated the *PRC Personal Information Protection Law* (《中華人民共和國個人信息保護法》), which took effect from November 1, 2021, which provides the circumstances under which a personal information processor could process personal information and the requirements for such circumstances. The Personal Information Protection Law clarifies the scope of application, the definition of personal information and sensitive personal information, the legal basis of personal information processing and the basic requirements of notice and consent. On July 10, 2021, the CAC published the *Draft Cybersecurity Review Measures (Revised Draft for Comments)* (《網絡安全審查辦法(修訂草案徵求意見稿)》). On December 28, 2021, the CAC revised and promulgated the Revised CAC Measures, which came into effect on February 15, 2022. The Revised CAC Measures further restate and expand the applicable scope of the cyber security review. Pursuant to the Revised CAC Measures, a platform operator with more than one million users' personal information aiming to list abroad must apply for cyber security review. In addition, a critical information infrastructure operator purchasing network products and services and platform operators carrying out data processing activities which affect or may affect national security must apply for cyber security review. We are not a platform operator which possesses personal information of over one million users and Hong Kong does not fall within the definition of "abroad" in the provision. However, we fall into the category of platform operators carrying out data processing activities. Given that the determination of "affect or may affect national security" as stipulated in the Revised CAC Measures are subject to further clarification by the CAC, our PRC Legal Advisors are of the view that as of the Latest Practicable Date, it was not necessary for our Group to notify the CAC in writing of the proposed Listing in Hong Kong. On November 14, 2021, the CAC publicly solicited opinions on the Draft Data

RISK FACTORS

Security Regulations. According to the Draft Data Security Regulations, data processors shall, in accordance with relevant state provisions, apply for cyber security review when carrying out the following activities: (1) the 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, which affects or may affect national security; (2) data processors that handle the personal information of more than one million people intending to be listed abroad; (3) the data processor intending to be listed in Hong Kong, which affects or may affect national security; (4) other data processing activities that affect or may affect national security. However, the Draft Data Security Regulations provide no further explanation or interpretation for the meaning of “affects or may affect national security”. In addition, the Draft Data Security Regulations also regulate other specific requirements in respect of the data processing activities conducted by data processors through the Internet in view of personal data protection, important data safety, data cross-broader safety management and obligations of Internet platform operators. For example, the processors of important data or data processors who are listed overseas shall carry out data security assessments by themselves or by entrusting data security service agencies every year, and submit the previous year’s data security assessment report to the cyberspace administration at the county-level city before January 31 of each year. As of the Latest Practicable Date, the Draft Data Security Regulations had not come into effect and the public comment period of the Draft Data Security Regulations had ended on December 13, 2021. We cannot predict the impact of the Draft Data Security Regulations, if any, at this stage, and we will closely monitor and assess any development in the rule-making process. It remains uncertain whether the Draft Data Security Regulations will be applicable to our business, or whether the future regulatory changes would impose additional restrictions on companies like us. If the enacted version of the Draft Data Security Regulations mandate clearance of cyber security review and other specific actions to be completed by companies like us, we may face uncertainties as to whether such clearance can be timely obtained, or at all. Failure to comply with the cybersecurity and data privacy requirements in a timely manner, or at all, may subject us to government enforcement actions and investigations, fines, penalties and suspension of our non-compliant operations, among other sanctions. See the paragraph headed “Regulatory Overview — Laws and Regulations Relating to Information Security and Privacy Protection” in this prospectus. As a result, we may be required to implement internal control measures to ensure compliance to comply with such laws and regulations.

The laws and regulations regarding privacy and data protection in China are generally complex and evolving, with uncertainty as to the interpretation and application thereof. As such, we cannot assure you that our privacy and data protection measures are, and will be, always considered sufficient under applicable laws and regulations. Additionally, the integrity of our privacy and data protection measures is also subject to system failure, interruption, inadequacy, security breaches or cyber-attacks. If we are unable to comply with the then applicable laws and

RISK FACTORS

regulations, or to address any data privacy and protection concerns, such actual or alleged failure could damage our reputation, deter existing and potential customers from using our products and services and could subject us to significant legal, financial and operational consequences.

Our strategy of making strategic acquisitions and investments may fail and may result in material and adverse impact on our financial condition and results of operations.

As part of our business growth strategy, we may, in the future, acquire or invest in businesses or companies that we believe can expand and strengthen our product and customer coverage, as well as our technological capabilities. Our ability to implement our acquisition and investment strategy will depend on our ability to identify suitable targets, our ability to reach agreements with them on commercially reasonable terms, and within a desired timeframe, and the availability of financing to complete acquisitions, as well as our ability to obtain any required shareholder or government approvals. Our strategic acquisitions and investments could subject us to uncertainties and risks, including high acquisition and financing costs, potential ongoing financial obligations and unforeseen or hidden liabilities, failure to achieve our intended objectives, benefits or revenue-enhancing opportunities, uncertainty of entering into markets in which we have limited or no experience, and in which competitors have stronger market positions, costs associated with, and difficulties in, integrating acquired businesses and managing a larger business, and diversion of our resources and management attention. Our failure to address these uncertainties and risks may have a material adverse effect on our liquidity, financial condition and results of operations. Even if we are able to successfully acquire or invest in suitable businesses, we cannot assure you that we will achieve our expected returns on such acquisitions or investments. As of the Latest Practicable Date, we had not identified or pursued any acquisition target. If we fail to identify or acquire suitable projects or achieve our expected returns on such acquisitions or investments in the future, our business, financial conditions, results of operations and prospects may be materially and adversely affected.

Acquisitions also pose the risk that we may be exposed to successor liability relating to the actions by an acquired company and its management before and after the acquisition. The due diligence that we conduct in connection with an acquisition or investment may not be sufficient to discover unknown liabilities, and any contractual guarantees or indemnities that we receive from the sellers of the acquired companies or investment target companies and/or their shareholders may not be sufficient to protect us from, or compensate us for, actual liabilities. A material liability associated with an acquisition or investment could adversely affect our reputation and reduce the benefits of the acquisition or investment. In addition, if the management team or key employees of an acquired company fail to perform as expected, this may affect the business performance of such acquired company and, in turn, have a material adverse effect on our business, financial conditions and results of operations.

RISK FACTORS

Our internal business systems and organization may not grow efficiently to meet our business expansion plans.

As our customers' demand continues to grow, we will need to devote additional resources to scaling our business. In addition, we will need to appropriately scale our internal business systems and our organization, including our staff members, to serve our customers' growing demand. We cannot assure you these improvements and expansions to our business systems and staff will be fully or effectively implemented on a timely basis, or at all. Even if we are able to upgrade our systems and expand our staff, such expansion may be expensive and complex and require our management's time and attention. We could also face inefficiencies or operational failures as a result of our efforts to expand business scale and staff. Any of these could impair our business performance, reduce customer satisfaction, and lead to departure of customers, which could harm our reputation and adversely affect our business, financial condition, results of operations and prospects.

Increased staff costs could affect our financial performance.

We plan to recruit additional engineers to enhance our R&D capabilities, additional product managers, project managers and art designers to improve our services and products, additional sales and marketing personnel to strengthen and optimize our sales and marketing network, and additional engineers, product managers, art designers and operation and promotion personnel for our Feitian Metaverse platform. For details, please see the paragraph headed "Business - Our Development Strategies" and the section headed "Future Plans and Use of Proceeds" in this prospectus. Any additional staff may increase our staff expenses and may therefore adversely affect our profitability. We incurred total staff costs of approximately RMB8.6 million, RMB10.6 million, RMB28.2 million and RMB9.3 million, representing approximately 3.4%, 3.1%, 4.7% and 4.1% of our total revenue for 2019, 2020 and 2021 and the three months ended March 31, 2022, respectively. It is estimated that we will incur additional staff costs of approximately RMB35.5 million, RMB54.8 million and RMB72.8 million for the recruitment of additional staff under our expansion plan in the years ending December 31, 2022, 2023 and 2024, respectively. Although our staff expenses will increase upon recruitment of additional staff, there is no assurance that our revenue or gross profit will increase in proportion to or more than the increase in staff costs and therefore our expansion may increase our liquidity risks in cash flows. Furthermore, if there is any unexpected legal or regulatory requirement for recruitment of labor in the PRC, there would be a negative impact on our financial performance and liquidity position.

RISK FACTORS

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

We face various risks in connection with our business, and may lack adequate insurance coverage or have no relevant insurance coverage. As of the Latest Practicable Date, we had not had any business disruption insurance or key man insurance. Our insurance coverage may not be sufficient to compensate us for any loss and there is no certainty that we will be able to successfully claim our losses under our current insurance policy on a timely basis, or at all. Any uninsured business disruptions may result in us incurring substantial costs and the diversion of resources, which could have an adverse effect on our business and results of operations.

Legal defects regarding some of our leased properties may adversely affect our business, financial condition and results of operations.

As of the Latest Practicable Date, the lessor of one of our leased properties had not provided us with valid title certificates or relevant authorization documents evidencing the right to lease the property to us. As a result, the lease may not be valid, and we may not be able to continue to use such property if the lessor's right to lease such property is challenged by any third party. For further information, see the paragraph headed "Business — Properties" in this prospectus. Further, we cannot assure you that we are able to renew our lease on commercially acceptable terms upon expiry, or at all. If the title of any of our leased properties is controversial or the validity of the relevant lease is challenged by any third party, or if we fail to renew our lease upon expiry, we may be compelled to relocate from the affected premises. Such relocation may result in additional expenses or business interruption, which could, in turn, have an adverse effect on our business, financial condition and results of operations.

As of the Latest Practicable Date, five of the lease agreements of our leased properties had not been registered with the competent PRC Government authorities as required by applicable PRC laws and regulations. We cannot assure you that our lessors will cooperate with us to complete the registration in a timely manner, or at all. Our PRC Legal Advisors have advised us that the lack of registration of the lease agreements will not affect the validity of the lease agreements under PRC laws, but we may be subject to a maximum penalty of RMB10,000 for each non-registered lease if we fail to complete the lease registration after we are requested to do so by the competent PRC Government authorities. The estimated total maximum penalty is RMB50,000. For details, see the paragraph headed "Business — Properties" in this prospectus.

RISK FACTORS

Our business is sensitive to general economic conditions, and any severe or prolonged downturn in the global or PRC economy could materially and adversely affect our business and financial condition.

Economic conditions in China are sensitive to global economic conditions, and our business may be affected by economic conditions in China and globally. We rely on the spending of our customers, including advertising customers, for our revenue, which may in turn depend on the level of disposable income, perceived future earnings and willingness to spend of the end users. Due to uncertain global economic and political conditions, particularly the current trade tension between the U.S. and China, market demand for our services may decrease. In addition, financial turmoil and uncertainties affecting the financial markets, banking systems or currency exchange rates may significantly restrict our ability to obtain financing in the capital markets or from financial institutions on commercially reasonable terms, or at all, which could also materially and adversely affect our business, results of operations and prospects.

We face risks related to natural disasters, health epidemics, and other public safety concerns.

Our business could be materially and adversely affected by natural disasters, health epidemics or pandemics of infectious diseases (including, without limitation, COVID-19) and other public safety concerns. On March 11, 2020, the World Health Organization declared that COVID-19 can be characterized as a pandemic. Natural disasters may give rise to server interruptions, breakdowns, system failures, technology platform failures or Internet failures, which could cause the loss or corruption of data or malfunctions of software or hardware as well as adversely affect our ability to operate our platform and provide solutions. Our business could also be adversely affected if our employees are affected by health epidemics or pandemics of infectious diseases. In addition, our results of operations could be adversely affected to the extent that any health epidemic or pandemics of infectious diseases harms the national economy in general.

The occurrence of a disaster or a prolonged outbreak of an epidemic illness or other adverse public health developments in China or elsewhere in the world could materially disrupt our business and operations. For example, the ongoing outbreak of COVID-19 since early 2020, including the subsequent Delta variant and Omicron has sickened and killed many people in and outside of China. China and other countries have taken restrictive measures to contain the outbreak of COVID-19, such as quarantine, travel restrictions and home office policy. These measures caused temporary suspension of productions and shortage of labor and raw materials in affected regions, and disrupted local and international travel and economy. The exacerbation and continuance of COVID-19 have already caused and may continue to cause an adverse and prolonged impact on the economy and social conditions in China and other affected countries. Meanwhile, the nature and origins of this coronavirus disease, and its treatment, have not been fully discovered. We are uncertain as to when the outbreak of the COVID-19 will be fully

RISK FACTORS

contained. There is also no assurance that the COVID-19 outbreak will not further escalate, and it may have a material adverse effect on our results of operations. In addition, the outbreak of communicable diseases may affect investment sentiment and result in sporadic volatility in global capital markets. Such pandemic has resulted in restrictions on travel and public transportation and prolonged closures of workplaces, which may have a material adverse effect on the global economy. Any material adverse change in the financial markets, the global economy, the PRC economy or regional economies as a result of these events or developments may materially and adversely affect our business, financial condition and results of operations. For further information on the impact of COVID-19 on our business, see the paragraph headed “Financial Information — Impact of COVID-19 on Our Operations” in this prospectus.

Any future occurrence of force majeure events, natural disasters or outbreaks of epidemics or pandemics of infectious diseases, including COVID-19, avian influenza, severe acute respiratory syndrome, H1N1 influenza or Ebola virus, may materially and adversely affect our business, financial condition and results of operations. An outbreak of an epidemic or pandemic of infectious disease could result in a widespread health crisis and restrict the level of business activities in affected areas, which may, in turn, materially and adversely affect our business. Moreover, the PRC has experienced natural disasters such as earthquakes, floods and droughts in the past few years. Any future occurrence of severe natural disasters in the PRC may materially and adversely affect its economy and therefore our business. We cannot assure you that any future occurrence of natural disasters or outbreaks of epidemics or pandemics of infectious diseases, including COVID-19, avian influenza, severe acute respiratory syndrome, H1N1 influenza or other epidemics, or the measures taken by the PRC Government or other countries in response to such contagious diseases, will not seriously disrupt our operations or those of our customers, which may materially and adversely affect our business, financial condition and results of operations.

RISKS RELATING TO OUR CONTRACTUAL ARRANGEMENTS

If the PRC Government determines that our Contractual Arrangements do not comply with applicable regulations, or if these regulations or their interpretations change in the future, we could be subject to severe consequences, including the nullification of the Contractual Arrangements and the relinquishment of our interest in our Consolidated Affiliated Entities.

Current PRC laws and regulations impose certain restrictions or prohibitions on foreign ownership of companies that engage in the provision of VATS and other related businesses. In particular, under the Catalog, which was revised in 2020 and the Negative List, our marketing services conducted online under our AR/VR marketing services business segment fall into the provision of VATS which are considered restricted, and our animation video production businesses fall into the radio and television programs production and operation businesses and are considered prohibited. See the paragraph headed “Regulatory Overview — Laws and Regulations Relating to

RISK FACTORS

Foreign Investment” in this prospectus. To comply with PRC laws and regulations, we conduct our AR/VR marketing services and animation video production businesses in China through Ophyer Technology and its subsidiaries, based on a series of Contractual Arrangements entered into by and, among other, Beijing Flowing Cloud, the Consolidated Affiliated Entities and the Registered Shareholders. As a result of these Contractual Arrangements, we exert control over Ophyer Technology and its subsidiaries and consolidate their results of operations into our financial statements. Ophyer Technology and its subsidiaries hold the licenses, approvals and key assets that are essential for the operations of our Relevant Businesses. For further details, see the section headed “Contractual Arrangements” in this prospectus. We may enter into similar arrangement in future expansion.

However, there are substantial uncertainties regarding the interpretation and application of current or future PRC laws and regulations. The relevant PRC regulatory authorities have broad discretion in determining whether a particular contractual structure violates PRC laws and regulations. Thus, we cannot assure you that the PRC Government will not ultimately take a view contrary to the opinion of our PRC Legal Advisors. If we are found in violation of any PRC laws or regulations or if the Contractual Arrangements, among others, Beijing Flowing Cloud, the Consolidated Affiliated Entities and the Registered Shareholders are determined as illegal or invalid by any PRC court, arbitral tribunal or regulatory authorities, the relevant governmental authorities would have broad discretion in dealing with such violation, including, without limitation:

- revoke the agreements constituting the Contractual Arrangements;
- revoke our business and operating licenses held by the relevant Consolidated Affiliated Entities related to our VATS and animation video production businesses;
- require us to discontinue or restrict operations related to any related-party transaction among our Consolidated Affiliated Entities and other members of our Group in connection with VATS and animation video production businesses;
- restrict our right to collect revenue generated from our VATS and animation video production businesses;
- levy fines on us and/or confiscate the proceeds that they deem to have been obtained through non-compliant operations;
- require us to restructure the operations in such a way as to compel us to establish a new enterprise, re-apply for the necessary licenses or relocate our businesses, staff and assets related to our VATS and animation video production businesses;

RISK FACTORS

- impose additional conditions or requirements with which we may not be able to comply;
- take other regulatory or enforcement actions that could be harmful to our business; or
- restrict the use of proceeds from IPO or other financing activities.

Furthermore, any of the assets under the name of any record holder of equity interest in our Consolidated Affiliated Entities, including such equity interest, may be put under court custody in connection with litigation, arbitration or other judicial or dispute resolution proceedings against that record holder. We cannot be certain that the equity interest will be disposed of in accordance with the Contractual Arrangements. In addition, new PRC laws, rules and regulations may be introduced to impose additional requirements that may impose additional challenges to our corporate structure and Contractual Arrangements. The occurrence of any of these events or the imposition of any of these penalties may result in a material and adverse effect on our ability to conduct the business. In addition, if the imposition of any of these penalties causes us to lose the rights to direct the activities of our consolidated affiliated entity and its subsidiary or the right to receive their economic benefits, we would no longer be able to consolidate our Consolidated Affiliated Entities, thus adversely affect our results of operations.

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

The Foreign Investment Law was promulgated by the NPC on March 15, 2019, which came into effect as of January 1, 2020. The Foreign Investment Law replaced the *Sino-foreign Equity Joint Venture Enterprise Law* (《中華人民共和國中外合資經營企業法》), the *Sino-foreign Cooperative Joint Venture Enterprise Law* (《中華人民共和國中外合作經營企業法》) and the *Wholly Foreign-invested Enterprises Law* (《中華人民共和國外資企業法》) to become the legal foundation for foreign investment in the PRC.

Conducting operations through contractual arrangements has been adopted by many PRC-based companies, including us, to obtain and maintain necessary licenses and permits in the industries that are currently subject to foreign investment restrictions or prohibitions in China. The Foreign Investment Law stipulates four forms of foreign investment comprising (i) foreign investors set up foreign invested enterprises in China severally or jointly with other investors, (ii) foreign investors acquire shares, equity, properties shares or other similar interest in any domestic enterprise, (iii) foreign investors invest in new projects in China severally or jointly with other investors; and (iv) foreign investors invest through any other methods under laws, administrative regulations, or provisions prescribed by the State Council. However, the Foreign Investment Law

RISK FACTORS

does not explicitly stipulate the contractual arrangements as a form of foreign investment, which means our Contractual Arrangements as a whole and each of the agreements comprising the Contractual Arrangements shall not be affected at present.

Notwithstanding the above, the Foreign Investment Law stipulates that foreign investment includes “*a foreign investor makes investment in any other way stipulated by laws, administrative regulations or provisions of the State Council*”. Therefore, there are possibilities that future laws, administrative regulations or provisions of the State Council may stipulate contractual arrangements as a way of foreign investment, and then whether our Contractual Arrangements will be recognized as foreign investment, whether our Contractual Arrangements will be deemed to be in violation of the foreign investment access requirements and how our Contractual Arrangements will be handled are uncertain.

In the extreme case-scenario, we may be required to unwind the Contractual Arrangements and/or dispose of our Consolidated Affiliated Entities, which could have a material and adverse effect on our business, financial condition and result of operations. In the event that our Company no longer has a sustainable business after the aforementioned unwinding of the Contractual Arrangements or disposal or such measures are not complied with, the Stock Exchange may take enforcement actions against us which may have a material and adverse effect on the trading of our Shares or even result in delisting of our Company. For details of the Foreign Investment Law and its potential impact on our Group, see the paragraph headed “Contractual Arrangements — Development in Legislation on Foreign Investment In Mainland China” in this prospectus.

Our Contractual Arrangements may not be as effective in providing operational control as direct ownership and the Consolidated Affiliated Entities or the Registered Shareholders may fail to perform their obligations under our Contractual Arrangements.

Current PRC laws and regulations impose certain restrictions or prohibitions on foreign ownership of companies that engage in value-added telecommunications, radio and TV program production and operation and other related businesses. In particular, under the Catalog and Negative List, our AR/VR marketing services fall into the VATS and are considered “restricted” and certain of our animation video production businesses fall into the radio and television programs production and operation business and are considered “prohibited.” As a result, we conduct our AR/VR marketing services and animation video production businesses in China through our Consolidated Affiliated Entities, based on a series of Contractual Arrangements by and, among others, Beijing Flowing Cloud, Consolidated Affiliated Entities and the Registered Shareholders. Our revenue and cash flow generated from our AR/VR marketing services and animation video production businesses related businesses are attributable to the Consolidated Affiliated Entities. The Contractual Arrangements may not be as effective as direct ownership in providing us with control over the Consolidated Affiliated Entities. Direct ownership would allow

RISK FACTORS

us, for example, to directly or indirectly exercise our rights as a shareholder to effect changes in the boards of directors of our Consolidated Affiliated Entities, which, in turn, could affect changes, subject to any applicable fiduciary obligations at the management level. However, under the Contractual Arrangements, as a legal matter, if our Consolidated Affiliated Entities or the Registered Shareholders fail to perform their respective obligations under the Contractual Arrangements, we may have to incur substantial costs and expend significant resources to enforce those arrangements and resort to litigation or arbitration and rely on legal remedies under PRC laws. These remedies may include seeking specific performance or injunctive relief and claiming damages, any of which may not be effective. For example, if the Registered Shareholders were to refuse to transfer their equity interest in Ophyer Technology to us or our designee when we exercise the call option pursuant to the Contractual Arrangements, or if they were otherwise to act in bad faith toward us, we might have to take legal action to compel them to perform their respective contractual obligations. In the event we are unable to enforce these Contractual Arrangements or we experience significant delays or other obstacles in the process of enforcing these Contractual Arrangements, we may not be able to exert effective control over our Consolidated Affiliated Entities and may lose control over the assets owned by the Consolidated Affiliated Entities. As a result, we may be unable to consolidate the Consolidated Affiliated Entities in our consolidated financial statements. Given that revenue from our Consolidated Affiliated Entities constitute a substantial amount of the revenue in our historical financial information for 2019, 2020 and 2021 and the three months ended March 31, 2022, our financial condition and results of operations could be materially and adversely impacted.

We may lose the ability to use and enjoy assets and licenses held by the Consolidated Affiliated Entities that are important to the operation of our business if any of the Consolidated Affiliated Entities declares bankruptcy or becomes subject to a dissolution or liquidation proceeding.

The Consolidated Affiliated Entities hold certain assets that are related to our business operations. The Contractual Arrangements with the Consolidated Affiliated Entities and the Registered Shareholders contain terms that specifically obligate the Registered Shareholders and Ophyer Technology to ensure the valid existence of the Consolidated Affiliated Entities and that the Consolidated Affiliated Entities may not be voluntarily liquidated. However, should the Registered Shareholders and Ophyer Technology breach this obligation and voluntarily liquidate the Consolidated Affiliated Entities, or should any of the Consolidated Affiliated Entities declare bankruptcy, all or part of their assets may become subject to liens or rights of third-party creditors and we may be unable to continue some or all of our business operations, which could materially and adversely affect our business, financial condition and results of operations.

RISK FACTORS

Our Contractual Arrangements may be subject to scrutiny by the PRC tax authorities and additional taxes may be imposed. A finding that we owe additional taxes could substantially reduce our consolidated net income and the value of your investment.

According to applicable PRC laws and regulations, arrangements and transactions among related parties may be subject to challenge by the PRC tax authorities, additional taxes and interest may be imposed. We would be subject to adverse tax consequences if the PRC tax authorities were to determine that transactions under the Contractual Arrangements between Beijing Flowing Cloud, the Consolidated Affiliated Entities and the Registered Shareholders were not conducted on an arm's-length basis as the PRC tax authorities have the authority to make special tax adjustments on the Consolidated Affiliated Entities' tax position. Such adjustments may adversely affect us by increasing the Consolidated Affiliated Entities' tax expenses without reducing the tax expenses of Beijing Flowing Cloud, subjecting the Consolidated Affiliated Entities to late payment fees and other penalties for under-payment of taxes. Our consolidated results of operations may be adversely affected if the Consolidated Affiliated Entities' tax liabilities increase or if it is subject to late payment fees or other penalties.

The Registered Shareholders and Ophyer Technology may potentially have a conflict of interest with us, and they may breach their contracts with us or cause such contracts to be amended in a manner contrary to our interests.

We conduct the Relevant Businesses through the Consolidated Affiliated Entities. Our control over these entities is based upon the Contractual Arrangements between, among others, Beijing Flowing Cloud, the Consolidated Affiliated Entities and the Registered Shareholders that allow us to control the Consolidated Affiliated Entities. The Registered Shareholders and Ophyer Technology may potentially have a conflict of interest with us, and they may breach their contracts with us if they believe it would further their own interest or if they otherwise act in bad faith. We cannot assure you that when conflicts of interest arise between us and the Consolidated Affiliated Entities, the Registered Shareholders and Ophyer Technology will act completely in our interests or that the conflicts of interest will be resolved in our favor.

In addition, the Registered Shareholders and Ophyer Technology may breach or cause the Consolidated Affiliated Entities to breach the Contractual Arrangements. If the Consolidated Affiliated Entities or the Registered Shareholders breach their contracts with us or otherwise have disputes with us, we may have to initiate legal proceedings, which involve significant uncertainty. Such disputes and proceedings may significantly disrupt our business operations, adversely affect our ability to control the Consolidated Affiliated Entities and otherwise result in negative publicity. There is also substantial uncertainty as to the outcome of any such legal proceedings.

RISK FACTORS

We conduct the Relevant Businesses in the PRC through the Consolidated Affiliated Entities by way of the Contractual Arrangements, but certain of the terms of the Contractual Arrangements may not be enforceable under PRC laws.

All the agreements which constitute the Contractual Arrangements are governed by PRC laws and provide for the resolution of disputes through arbitration in the PRC. Accordingly, these agreements would be interpreted in accordance with PRC laws and disputes would be resolved in accordance with Arbitration Rules of Chinese Arbitration Institutions. The legal environment in the PRC is not as developed as in other jurisdictions and uncertainties in the PRC legal system could limit our ability to enforce the Contractual Arrangements. In the event that we are unable to enforce the Contractual Arrangements, or if we suffer significant time delays or other obstacles in the process of enforcing them, it would be very difficult to exert effective control over the Consolidated Affiliated Entities, and our ability to conduct our business and our financial condition and results of operations may be materially and adversely affected.

The Contractual Arrangements contain provisions to the effect that the arbitral body may award remedies over the shares and/or assets of the Consolidated Affiliated Entities, injunctive relief and/or winding up of the Consolidated Affiliated Entities. These agreements also contain provisions to the effect that courts of competent jurisdictions are empowered to grant interim remedies in support of the arbitration pending the formation of an arbitral tribunal. However, under PRC laws, these terms may not be enforceable. Under PRC laws, an arbitral body does not have the power to grant injunctive relief or to issue a provisional or final liquidation order for the purpose of protecting assets of or equity interests in the Consolidated Affiliated Entities in case of disputes. In addition, interim remedies or enforcement order granted by overseas courts such as Hong Kong and the Cayman Islands may not be recognizable or enforceable in China. In addition, arbitration awards are final and can only be forced in PRC courts through arbitration award recognition proceedings, which could cause additional expenses and delays. Therefore, in the event of breach of any agreements constituting the Contractual Arrangements by the Consolidated Affiliated Entities and/or the Registered Shareholders, and if we are unable to enforce the Contractual Arrangements, we may not be able to exert effective control over the Consolidated Affiliated Entities, which could negatively affect our ability to conduct our business.

If we exercise the option to acquire equity ownership of the Consolidated Affiliated Entities, the ownership transfer may subject us to certain limitations and substantial costs.

Pursuant to the Contractual Arrangements, Beijing Flowing Cloud or its designated person(s) has the exclusive right to purchase all or any part of the equity interests in the Consolidated Affiliated Entities from the Registered Shareholders and Ophyer Technology and when the relevant foreign ownership restriction is lifted, we will need to unwind the Contractual Arrangements by acquiring the equity interest in the Consolidated Affiliated Entities. The equity transfer may be

RISK FACTORS

subject to the approvals from or filings with or reportings to the MOFCOM, the MIIT, the MOCT, the SAIC and/or their local competent branches as well as polices in relation to restrictions on foreign investment. In addition, the equity transfer price may be subject to review and tax adjustment by the relevant tax authority. The shareholders of the Consolidated Affiliated Entities will pay the equity transfer price they received to Beijing Flowing Cloud under the Contractual Arrangements. The amount to be received by Beijing Flowing Cloud may also be subject to EIT, in which case the amount of tax could be substantial.

We may not be able to meet regulatory requirements with respect to VATS, notwithstanding the 2022 Decision which came into effect on May 1, 2022, our plan to unwind the Contractual Arrangements may be subject to certain limitations.

Before the 2022 Decision came into effect on May 1, 2022, the 2016 Regulations applied to us, and we needed to comply with the provisions and requirements of this regulation.

According to the 2016 Regulations, foreign investor who invests in VATS in the PRC must possess the VATS Qualification Requirements. The MIIT issued a guidance memorandum on its official website in relation to the application requirement for establishing foreign-invested VATS enterprises in the PRC. According to this guidance memorandum, an applicant is required to provide satisfactory proof of the VATS Qualification Requirements. The guidance memorandum, however, does not purport to provide an exhaustive list on the application requirement. As confirmed through the consultation with MIIT on June 23, 2021, no applicable PRC laws or regulations or rules provides clear guidance or interpretation on the VATS Qualification Requirements. Furthermore, the MIIT has not provided any further guidance on, among others, the interpretation and implementation of the Negative List and the impact of the Negative List on the VATS Qualification Requirements.

Despite the lack of clear guidance or interpretation on the VATS Qualification Requirements, we have been gradually building up our track record of overseas VATS operations for the purposes of being qualified, as early as possible, to acquire the entire equity interests in Ophyer Technology when the relevant PRC laws and authorities allow foreign investors to invest and hold (or to increase, as applicable) equity interests in enterprises which engage in VATS and/or hold the VATS licenses. For further details, see the paragraph headed “Contractual Arrangements — VATS Business — VATS Qualification requirements for foreign investors who invests in VATS in the PRC” in this prospectus.

As the steps taken by us to fulfil the VATS Qualification Requirements are subject to the competent authority’s substantive discretion and their interpretation and implementation of the Negative List, we cannot assure you that we will be able to meet the VATS Qualification Requirements in the future timely and the plan we have adopted will be sufficient to satisfy the

RISK FACTORS

VATS Qualification Requirements. Notwithstanding our Group plans to unwind and terminate the Contractual Arrangements as soon as practicable to the extent permissible under relevant PRC laws and regulations and when the relevant government authority grants the VATS licenses to sino-foreign equity joint ventures or wholly foreign owned enterprises which are established or to be established by our Company, we may be unable to unwind the Contractual Arrangements before we are in a position to comply with the VATS Qualification Requirements. If we otherwise attempt to unwind the Contractual Arrangements before we satisfy the VATS Qualification Requirements, we may be considered by the regulatory authorities as ineligible for provision of our VATS, which could have a material adverse effect on our business, financial condition and results of operations.

On March 29, 2022, the State Council promulgated the 2022 Decision which came into effect on May 1, 2022. According to the 2022 Decision, the VATS Qualification Requirements as stipulated in the 2016 Regulations were repealed. However, as of the Latest Practicable Date, no applicable PRC laws, regulations or rules had provided clear guidance or interpretation about the 2022 Decision. Therefore, our Contractual Arrangements and the business of Beijing Flowing Cloud are subject to the risks in connection with the interpretation and implementation of the 2022 Decision.

RISKS RELATING TO CONDUCTING BUSINESS IN CHINA

Adverse changes in the economic, political and social conditions, as well as policies of the PRC Government, could have a material adverse effect on our business and prospects.

All of our revenue is derived from our businesses in the PRC. Accordingly, our financial condition, results of operations and prospects are, to a material extent, subject to economic, political, and legal developments in the PRC. The PRC economy differs from the economies of developed countries in many respects, including, among other things, the degree of government involvement, control of investment, level of economic development, growth rate, foreign exchange controls, and resource allocation.

Although the PRC economy has been transitioning from a planned economy to a more market-oriented economy for the past four decades, a substantial portion of productive assets in the PRC is still owned by the PRC Government. The PRC Government also exercises significant control over the economic growth of the PRC through allocating resources, controlling payments of foreign currency-denominated obligations, setting monetary policy and providing preferential treatment to particular industries or companies. In recent years, the PRC Government has implemented measures emphasizing the utilization of market forces in economic reform, the reduction of state ownership of productive assets and the establishment of sound corporate governance practices in business enterprises. Some of these measures benefit the overall PRC economy, but may adversely affect us. For example, our financial condition and results of

RISK FACTORS

operations may be adversely affected by government policies on the Internet service industry in China or changes in tax regulations applicable to us. If the business environment in the PRC deteriorates, our business in the PRC may also be materially and adversely affected.

The approval of or filing procedure with the CSRC may be required in connection with the Listing, and, if required, we cannot predict whether we will be able to obtain such approval.

On December 24, 2021, the CSRC issued the *Provisions of the State Council on the Administration of Overseas Securities Offering and Listing by Domestic Companies (Draft for Comments)* (《國務院關於境內企業境外發行證券和上市的管理規定(草案徵求意見稿)》) (the “**Draft Administration Provisions**”) and the *Administrative Measures for the Filing of Overseas Securities Offering and Listing by Domestic Companies (Draft for Comments)* (境內企業境外發行證券和上市備案管理辦法(徵求意見稿)) (the “**Draft Measures**”). The Draft Administration Provisions and the Draft Measures are open for public comments until January 23, 2022. The Draft Administration Provisions and the Draft Measures regulate overseas securities offering and listing activities by domestic enterprises in direct or indirect form. The Draft Administration Provisions specify that the CSRC has regulatory to regulate both direct and indirect overseas offering and listing of PRC domestic companies’ securities, and adopt a filing-based regulatory regime. Overseas offerings and listings that are prohibited by specific laws and regulations, constitute threat to or endanger national security, involve material ownership disputes, the PRC domestic companies, their controlling shareholder or actual controller involving in certain criminal offence, or directors, supervisors and senior management of the issuer involving in certain criminal offence or administrative penalties, among other circumstances, are explicitly forbidden. The Draft Measures provide supplementary rules for the Draft Administration Provisions by specifying the primary filing procedures for overseas securities offerings and listing activities by domestic enterprises in direct or indirect form. If the Draft Administration Provisions and the Draft Measures are fully implemented as-is, we may be required to file in accordance with the Draft Measures. Public consultation for the Draft Administration Provisions and the Draft Measures ended on January 23, 2022. However, the final version and effective date of such regulations are subject to change with substantial uncertainty.

If it is determined in the future that CSRC approval, filing or other procedural requirements are required to be met for and prior to the Listing, 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. Any failure to obtain or delay in obtaining such approval or completing such procedures for the Listing, could subject us to sanctions by the relevant PRC governmental authorities. The governmental authorities may impose restrictions and penalties on our operations in the PRC, such as suspension of our operations, stopping the Global Offering, limiting our ability to pay dividends outside of the PRC or taking other actions that could have a material adverse effect on our business, financial condition, results of operations and prospects, as well as the trading price of the

RISK FACTORS

Shares. In addition, if the PRC governmental authorities later promulgate new rules or explanations requiring that we obtain their approvals for filings, registrations or other kinds of authorizations for the Listing, we cannot assure you that we can obtain the approval, authorizations, or complete required procedures or other requirements in a timely manner, or at all, or obtain a waiver of the requisite requirements if and when procedures are established to obtain such a waiver.

The legal system of the PRC is evolving, and inherent uncertainties in the interpretation and enforcement of PRC laws and regulations could limit the legal protections available to our business and our Shareholders.

The PRC legal system is based on written statutes. Unlike common law systems, it is a system in which legal cases have limited value as precedents. In the late 1970s, the PRC Government began to promulgate a comprehensive system of laws and regulations governing economic matters in general. The overall effect of legislation over the past four decades has significantly increased the protections afforded to various forms of foreign or private-sector investment in China. Our PRC subsidiaries are subject to various PRC laws and regulations generally applicable to companies in China. However, since these laws and regulations are relatively new, and the PRC legal system continues to rapidly evolve, the interpretations of many laws, regulations and rules are not always uniform, and enforcement of these laws, regulations and rules involves uncertainties.

From time to time, we may have to resort to administrative and court proceedings to enforce our legal rights. However, since PRC administrative and court authorities have significant discretion in interpreting and implementing statutory and contractual terms, it may be more difficult to evaluate the outcome of administrative and court proceedings and the level of legal protection we enjoy than in more developed legal systems. Further, the PRC legal system is based in part on government policies and internal rules (some of which are not published in a timely manner or at all) that may have retroactive effect. As a result, we may not be aware of our violation of these policies and rules until sometime after the violation. Such uncertainties, including uncertainty over the scope and effect of our contractual, property (including intellectual property) and procedural rights, and any failure to respond to changes in the regulatory environment in China, could materially and adversely affect our business and impede our ability to continue our operations, and may further affect the legal remedies and protections available to investors, which may, in turn, adversely affect the value of your investment.

PRC laws and regulations concerning the Internet service industry are developing and evolving. The PRC Government authorities may promulgate new laws and regulations regulating the Internet service industry in the future. We cannot assure you that our practice would not be deemed to violate any new PRC laws or regulations relating to Internet service. Moreover,

RISK FACTORS

developments in the Internet service industry may lead to changes in PRC laws, regulations and policies, or in the interpretation and application of existing laws, regulations and policies that may limit or restrict Internet service platforms like ours, which could materially and adversely affect our business and operations.

The successful operations of our business and our growth depend upon the Internet infrastructure and telecommunication network in the PRC.

Our business depends on the performance and reliability of the Internet infrastructure in China. Almost all access to the Internet is maintained through state-owned telecommunication operators under the administrative control and regulatory supervision of the Ministry of Industry and Information Technology of China. In addition, the national networks in China are connected to the Internet through state-owned international gateways, which are the only channels through which a domestic user can connect to the Internet outside of China. We may not have access to alternative networks in the event of disruptions, failures or other problems with China's Internet infrastructure. In addition, the Internet infrastructure in China may not support the demands associated with continued growth in Internet usage.

The failure of telecommunications network operators to provide us with the requisite bandwidth could also interfere with the speed and availability of our websites. We have no control over the costs of the services provided by the national telecommunications operators. If the prices that we pay for telecommunications and Internet services rise significantly, our gross margins could be adversely affected. In addition, if Internet access fees or other charges to Internet users increase, our user traffic may decrease, which in turn may significantly decrease our revenues.

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

The Regulations on Mergers and Acquisitions of Domestic Companies by Foreign Investors, or the M&A Rules, adopted by six PRC Government authorities in 2006 and amended in 2009, and some other established regulations and rules concerning mergers and acquisitions, as well as additional procedures and requirements, could make merger and acquisition activities by foreign investors more time-consuming and complex, including requirements, in some instances, that the MOFCOM be notified in advance of any change-of-control transaction in which a foreign investor takes control of a PRC domestic enterprise. Moreover, the Anti-Monopoly Law requires that the MOFCOM shall be notified in advance of any concentration of undertaking if certain thresholds are triggered. In addition, the security review rules issued by the MOFCOM that became effective in September 2011 specify that mergers and acquisitions by foreign investors that raise "national defense and security" concerns, and mergers and acquisitions through which foreign investors may

RISK FACTORS

acquire de facto control over domestic enterprises that raise “national security” concerns, are subject to strict review by the MOFCOM, and the rules prohibit any activities attempting to bypass a security review. In the future, we may grow our business by acquiring complementary businesses. Complying with the requirements of the above-mentioned regulations and other relevant rules to complete such transactions could be time-consuming, and any required approval processes, including obtaining approval from the MOFCOM or its local counterparts may delay or inhibit our ability to complete such transactions, which could affect our ability to expand our business or maintain our market share.

We may be classified as a “PRC resident enterprise” for PRC enterprise income tax purposes, which could result in unfavorable tax consequences to us and our shareholders, and have a material adverse effect on our results of operations and the value of your investment.

Under the EIT Law 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 on its global income at the rate of 25%. The implementation rules define the term “de facto management body” as the body that exercises full and substantial control over, and overall management of the business, productions, personnel, accounts and properties of an enterprise. In April 2009, the SAT issued a circular, known as 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. Although this circular only applies to offshore enterprises controlled by PRC enterprises or PRC enterprise groups, not those that are not controlled by PRC enterprises or PRC enterprise groups like us, the criteria set forth in the circular 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 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 global income only if all of the following conditions 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.

However, the tax-resident status of an enterprise is subject to determination by the PRC tax authorities, and uncertainties remain with respect to the interpretation of the term “de facto management body”. As substantially all of our management members are based in China, it remains unclear how the tax residency rule will apply in our case. If the PRC tax authorities determine that our Company, or any of our subsidiaries outside of China, is a PRC resident

RISK FACTORS

enterprise for PRC enterprise income tax purposes, then our Company or such subsidiary could be subject to PRC tax at a rate of 25% on its world-wide income, which could materially reduce our net income. In addition, we will also be subject to PRC enterprise income tax reporting obligations. Further, if the PRC tax authorities determine that we are a PRC resident enterprise for enterprise income tax purposes, gains realized on the sale or other disposition of our ordinary shares may be subject to PRC tax, at a rate of 10% in the case of non-PRC enterprises or 20% in the case of non-PRC individuals (in each case, subject to the provisions of any applicable tax treaty), if such gains are deemed to be from PRC sources. It is unclear whether non-PRC shareholders of our company would be able to claim the benefits of any tax treaties between their country of tax residence and the PRC in the event that we are treated as a PRC resident enterprise. Any such tax may reduce the returns on your investment in our Shares.

Fluctuations in exchange rates could result in foreign currency exchange losses.

The value of the RMB against the Hong Kong dollar, the U.S. dollar and other currencies fluctuates, is subject to changes resulting from the PRC Government's policies, and depends, to a large extent, on domestic and international economic and political developments, as well as supply and demand in the local market. It is difficult to predict how market forces or government policies may impact the exchange rate between the RMB and the Hong Kong dollar, the U.S. dollar or other currencies in the future. In addition, the People's Bank of China regularly intervenes in the foreign exchange market to limit fluctuations in RMB exchange rates, and to achieve policy goals. We are subject to the risk of volatility in future exchange rates and to the PRC Government's controls on currency conversion.

The proceeds from the Global Offering will be received in Hong Kong dollars. As a result, any appreciation of the RMB against the Hong Kong dollar may result in a decrease in the value of our proceeds from the Global Offering. Conversely, any depreciation of the RMB may adversely affect the value of, and any dividends payable on, our Shares in a foreign currency. In addition, there are limited instruments available for us to reduce our foreign currency risk exposure at reasonable costs. Further, we are also currently required to obtain the SAFE's approval before converting significant sums of foreign currencies into RMB. All of these factors could materially and adversely affect our business, financial condition, and results of operations and prospects, and could reduce the value of, and dividends payable on, the Shares in foreign currency terms.

The PRC Government's control of foreign currency conversion may limit our foreign exchange transactions, including dividend payments on our Shares.

The PRC Government imposes controls on the convertibility of the RMB into foreign currencies and, in certain cases, the remittance of currency out of China. We receive substantially all of our net revenue in RMB. Under our current corporate structure, our Company in the Cayman

RISK FACTORS

Islands relies on dividend payments, indirectly from our PRC subsidiaries, to fund any cash and financing requirements we may have. Under existing PRC foreign exchange regulations, payments of current account items, such as profit distributions and trade and service-related foreign exchange transactions, can be made in foreign currencies without prior approval from SAFE by complying with certain procedural requirements. Therefore, our PRC subsidiaries are able to pay dividends in foreign currencies to us without prior approval from SAFE by complying with certain procedures under PRC foreign exchange regulation. However, approval from, or registration with, appropriate governmental authorities is required where RMB is to be converted into foreign currency and remitted out of China to pay capital expenses, such as the repayment of loans denominated in foreign currencies.

In light of the flood of capital outflows from China in 2016 due to the weakening of RMB, the PRC Government has imposed more restrictive foreign exchange policies, and stepped up scrutiny of major outbound capital movement. More restrictions and a substantial vetting process are in place by SAFE to regulate cross-border transactions falling under the capital account. The PRC Government may, at its discretion, further restrict access to foreign currencies in the future for current account transactions. If the foreign exchange control system prevents us from obtaining sufficient foreign currencies to satisfy our foreign currency demands, we may not be able to pay dividends in foreign currencies to our Shareholders.

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

Any funds we transfer to our PRC subsidiaries, either as a shareholder loan, or as an increase in registered capital, are subject to approval by, filing with, or registration with, relevant governmental authorities in China. According to the relevant PRC regulations on foreign-invested enterprises in China, capital contributions to our PRC subsidiaries are subject to the approval of, or filing with, the MOFCOM or its local branch, and registration with other governmental authorities in China. In addition, (i) any foreign loan procured by our PRC subsidiaries is required to be registered with SAFE, or its local branches, and (ii) each of our PRC subsidiaries may not procure loans which exceed the difference between its registered capital and its total investment amount. Any medium-or long-term loan to be provided by us to our PRC subsidiaries must be recorded and registered by the National Development and Reform Committee and the SAFE or its local branches. We may not be able to complete such filing or registrations on a timely basis, if at all, with respect to future capital contributions or foreign loans by us directly to our PRC subsidiaries. If we fail to complete such filing or registration, our ability to use the proceeds of this offering, and to capitalize our PRC operations, may be negatively affected, which could adversely affect our liquidity and our ability to fund and expand our business.

RISK FACTORS

On March 30, 2015, the SAFE promulgated the Circular on Reforming the Management Approach Regarding the Foreign Exchange Capital Settlement of Foreign-Invested Enterprises, or SAFE Circular 19. SAFE Circular 19 took effect as of June 1, 2015. SAFE Circular 19 launched a nationwide reform of the administration of the settlement of the foreign exchange capitals of foreign-invested enterprises, which allows foreign-invested enterprises to settle their foreign exchange capital at their discretion, but continues to prohibit foreign-invested enterprises from using the RMB fund converted from their foreign exchange capitals for expenditures beyond their business scopes. On June 9, 2016, the SAFE promulgated the Circular on Reforming and Standardizing the Administrative Provisions on Capital Account Foreign Exchange, or SAFE Circular 16. SAFE Circular 19 and SAFE Circular 16 continue to prohibit foreign-invested enterprises from, among other things, using RMB funds converted from their foreign exchange capitals for expenditure beyond their business scope, investment in securities or investments other than banks' principal-secured products, providing loans to non-affiliated enterprises or constructing or purchasing real estate not for self-use, except for real estate enterprises. SAFE Circular 19 and SAFE Circular 16 may significantly limit our ability to transfer to, and use in, China the net proceeds from this offering, which may adversely affect our business, financial condition and results of operations.

There is uncertainty with respect to the indirect transfers of equity interests in our PRC resident enterprises through transfers made by our Shareholders or our non-PRC holding companies.

On February 3, 2015, the SAT promulgated the *Public Announcement on Several Issues Concerning Enterprise Income Tax for Indirect Transfer of Assets by Non-Resident Enterprises* (國家稅務總局關於非居民企業間接轉讓財產企業所得稅若干問題的公告) (“**Circular 7**”), which replaces certain provisions in the *Notice on Strengthening the Administration of Enterprise Income Tax on Equity Transfers of Non-resident Enterprises* (國家稅務總局關於加強非居民企業股權轉讓所得企業所得稅管理的通知) (“**Circular 698**”). Circular 7 provides comprehensive guidelines relating to, and has also heightened the Chinese tax authorities' scrutiny over, indirect transfers by a non-resident enterprise of assets (including equity interests) of a Chinese resident enterprise (the “**Chinese Taxable Assets**”). For example, Circular 7 states that where a non-resident enterprise transfers Chinese Taxable Assets indirectly, by disposing of equity interests in an overseas holding company directly or indirectly holding such Chinese Taxable Assets, and such transfer is deemed to be, for the purpose of avoiding EIT payment obligations, and without any other bona fide commercial purpose, the transfer may be reclassified by the Chinese tax authorities as a direct transfer of Chinese Taxable Assets. On October 17, 2017, the SAT promulgated the *Announcement on Matters Concerning Withholding and Payment of Income Tax of Non-resident Enterprises from Source* (國家稅務總局關於非居民企業所得稅源泉扣繳有關問題的公告) (“**SAT Circular 37**”),

RISK FACTORS

which came into force and replaced SAT Circular 698 and certain other rules or regulations on December 1, 2017. SAT Circular 37, among other things, simplifies the procedures of withholding and payment of income tax levied on non-resident enterprises.

Although Circular 7 contains certain exemptions, it is unclear whether any exemptions under Circular 7 will be applicable to the transfer of our Shares, such as purchasing our Shares in the open market, and selling them in a private transaction, or *vice versa*, or to any future acquisition by us outside of China involving Chinese Taxable Assets, or whether the Chinese tax authorities classify such transactions by applying Circular 7. Therefore, the Chinese tax authorities may deem any transfer of our Shares by those of our Shareholders that are non-resident enterprises, or any future acquisitions by us outside of China involving Chinese Taxable Assets, to be subject to the foregoing regulations, which may subject our Shareholders or us to additional Chinese tax reporting obligations or tax liabilities. And, if we fail to comply with Circular 7 and SAT Circular 37, the Chinese tax authorities may take action, including requesting us to provide assistance in their investigation, or may impose a penalty on us, which could have a negative impact on our business operations.

We may be subject to penalties, including restriction on our ability to inject capital into our PRC subsidiaries, and on our PRC subsidiaries' ability to distribute profits to us, if our PRC resident Shareholders or beneficial owners fail to comply with relevant PRC foreign exchange regulations.

The SAFE has promulgated several regulations that require PRC residents and PRC corporate entities to register with, and obtain approval from, local branches of the SAFE in connection with their direct or indirect offshore investment activities. The Circular on Relevant Issues Relating to Domestic Resident's Investment and Financing and Roundtrip Investment through Special Purpose Vehicles, or SAFE Circular 37, was promulgated by the SAFE in July 2014, requiring PRC residents or entities to register with SAFE or its local branch in connection with their establishment or control of an offshore entity established for the purpose of overseas investment or financing. These regulations apply to our shareholders who are PRC residents, and may apply to any offshore acquisitions that we make in the future.

Under these foreign exchange regulations, PRC residents who make, or have previously made, prior to the implementation of these foreign exchange regulations, direct or indirect investments in offshore companies, are required to register those investments. In addition, any PRC resident who is a direct or indirect shareholder of an offshore company is required to update the previously filed registration with the local branch of the SAFE, with respect to that offshore company, to reflect any material change involving its round-trip investment, capital variation, such as a change of PRC shareholders, the name of a company, terms of operation, an increase or decrease in capital, transfer or swap of shares, merger or division. If any PRC shareholder fails to

RISK FACTORS

make the required registration or to update the previously filed registration, the PRC subsidiary of that offshore parent company may be restricted from distributing its profits, and the proceeds from any reduction in capital, share transfer or liquidation to its offshore parent company, and the offshore parent company may also be restricted from injecting additional capital into its PRC subsidiary. Moreover, failure to comply with the various foreign exchange registration requirements described above could result in liability under PRC laws for evasion of applicable foreign exchange restrictions, including (i) the requirement by the SAFE to return the foreign exchange remitted overseas or into PRC within a period of time specified by the SAFE, with a fine of up to 30% of the total amount of foreign exchange remitted overseas or into PRC and deemed to have been evasive or illegal, and (ii) in circumstances involving serious violations, a fine of no less than 30% of and up to the total amount of remitted foreign exchange deemed evasive or illegal.

We are committed to complying with, and to ensuring that our Shareholders who are subject to the regulations will comply with, the relevant SAFE rules and regulations. However, due to the inherent uncertainty in the implementation of the regulatory requirements by PRC authorities, such registration might not be always practically available in all circumstances as prescribed in those regulations. In addition, we may not always be able to compel them to comply with SAFE Circular 37 or other related regulations. We cannot assure you that the SAFE or its local branches will release explicit requirements or interpret the relevant PRC laws and regulations otherwise. Failure by any such Shareholders to comply with SAFE Circular 37 or other related regulations could subject us to fines or legal sanctions, restrict our investment activities in the PRC and overseas, or our cross-border investment activities, limit our subsidiaries' ability to make distributions, pay dividends or make other payments to us, or affect our ownership structure, which could adversely affect our business and prospects. As advised by our PRC Legal Advisors, all PRC residents who are our Shareholders have completed their registration under the SAFE Circular 37. However, we may not be fully informed of the identities of all our Shareholders or beneficial owners who are PRC residents, and we cannot assure you that all of our Shareholders and beneficial owners who are PRC residents will comply with our request to make, obtain or update, any applicable registrations, or comply with other requirements under SAFE Circular 37 or other related rules in a timely manner.

As there is uncertainty concerning the reconciliation of these foreign exchange regulations with other approval requirements, it is unclear how these regulations, and any future regulation concerning offshore or cross-border transactions, will be interpreted, amended and implemented by the relevant governmental authorities. We cannot predict how these regulations will affect our business operations or future strategy. 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 results of operations and financial condition. In addition, if we decide to acquire a PRC domestic company,

RISK FACTORS

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.

Any requirement to obtain approval from the MOFCOM or the CSRC could delay the Global Offering, and any failure to obtain such approval, if required, could materially and adversely affect our business, operating results and reputation, as well as the trading price of our Shares.

According to the M&A Rules jointly issued by the MOFCOM, the SASAC, the SAT, the CSRC, SAIC, and the SAFE on 8 August 2006, effective on 8 September 2006 and amended on 22 June 2009, a foreign investor is required to obtain necessary approvals when it (i) acquires the equity of a domestic enterprise so as to convert the domestic enterprise into a foreign-invested enterprise, (ii) subscribes for the increased capital of a domestic enterprise so as to convert the domestic enterprise into a foreign-invested enterprise, (iii) establishes a foreign-invested enterprise to purchase the assets of a domestic enterprise and operate those assets, or (iv) purchases the assets of a domestic enterprise, and then invests such assets to establish a foreign-invested enterprise. Where a domestic company or enterprise, or a domestic natural person, through an offshore entity established or controlled by it or him, acquires a domestic company which is related to or connected with it or him, approval from MOFCOM is required. The M&A Rules, among other things, further purport to require that an offshore special vehicle, or a special purpose vehicle, formed for listing purposes and controlled directly or indirectly by PRC companies or individuals, shall obtain the approval of the CSRC prior to the listing and trading of such special purpose vehicle's securities on an overseas stock exchange, especially in the event that the special purpose vehicle acquires shares of, or equity in, the PRC companies in exchange for the shares of offshore companies. Our PRC Legal Advisors are of the opinion that the M&A Rules are not applicable because (i) Beijing Flowing Cloud was not established through a merger or acquisition of the equity or assets of a "PRC domestic company" as such term is defined under the M&A Rules, and (ii) no provision in this regulation clearly classifies contractual arrangements as a type of transaction subject to its regulation. Accordingly, our PRC Legal Advisors are of the opinion that prior MOFCOM and CSRC approval under the M&A Rules for this Listing is not required. However, we cannot assure you that the relevant PRC Government authorities, including the MOFCOM and CSRC, would reach the same conclusion as our PRC Legal Advisors. If the MOFCOM, the CSRC or other PRC Government authorities subsequently determine that we need to obtain necessary approval for this offering, or if MOFCOM, CSRC or any other PRC Government authorities promulgates interpretation or implementing rules before our listing that would require any necessary governmental approvals for this offering, we may face sanctions by the MOFCOM, the CSRC or other PRC Government authorities. In such event, these PRC Government authorities may impose fines and penalties on our operations in China, limit our

RISK FACTORS

operating privileges in China, delay or restrict the repatriation of proceeds from this offering into the PRC, or take other actions that could have a material adverse effect on our business, financial condition, results of operations, and prospects, as well as the trading price of our Shares. The MOFCOM, the CSRC or other PRC Government authorities may also take actions requiring us to halt this offering before settlement and delivery of the Shares offered by this prospectus.

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

We are an exempted company incorporated in the Cayman Islands, and substantially all of our current operations are conducted in China. In addition, a majority of our current Directors and officers are nationals and residents of China. As a result, it may be difficult or impossible for you to effect service of process within Hong Kong upon us or these persons, or to bring an action in Hong Kong against us or against these individuals in the event that you believe that your rights have been infringed under the applicable securities laws or otherwise. In addition, as there are no clear statutory and judicial interpretations or guidance on a PRC court's jurisdiction over cases brought under foreign securities laws, it may be difficult for you to bring an original action against us or our PRC resident officers and directors in a PRC court based on the liability provisions of non-PRC securities laws. 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.

RISKS RELATING TO THE GLOBAL OFFERING

There has been no prior public market for our Shares and there can be no assurance that an active market would develop.

Prior to the Global Offering, there has been no public market for our Shares. The initial Offer Price for our Shares was the result of negotiations among us and the Relevant Global Coordinators and the Offer Price may differ significantly from the market price for our Shares following the Global Offering. We have applied for listing of and permission to deal in our Shares on the Stock Exchange. Shares held by the Controlling Shareholders, being Mr. Wang, Mr. Li, Wang BVI, Li BVI, Cyber Warrior and Brainstorming Cafe, would be subject to a lock-up arrangement pursuant to Rule 10.07(1) of the Listing Rules. In addition, each of our existing Shareholders as of the date of this prospectus will be subject to a lock-up period for six months commencing from the Listing Date. Accordingly, Shares held by our existing Shareholders, representing 85% of the total Shares in issue immediately following the completion of the Capitalization Issue and Global Offering (assuming the Over-allotment Option is not exercised), will be subject to a lock-up period for at least six months from the Listing Date. Further, the Offer Shares to be purchased by the Cornerstone Investors will also be subject to a lock-up period of six months from the Listing Date. As a result, there can be no guarantee that an active and liquid trading market for our Shares will

RISK FACTORS

develop or be sustained after completion of the Global Offering. Factors such as variations in our revenue, earnings and cash flows or any other developments of us may affect the volume and price at which our Shares will be traded.

Furthermore, the price and trading volume of our Shares may be volatile. The following factors, among others, may cause the market price of our Shares after the Global Offering to vary significantly from the Offer Price:

- actual or anticipated fluctuations in our results of operations;
- news regarding recruitment or loss of key personnel by us or our customers;
- announcements of competitive developments, acquisitions or strategic alliances in our industry;
- changes in earnings estimates or recommendations by financial analysts;
- potential litigation or regulatory investigations;
- changes in general economic conditions or other developments affecting us or our industry;
- price movements on international stock markets, the operating and stock price performance of other companies, other industries and other events or factors beyond our control; and
- release of lock-up or other transfer restrictions on our outstanding Shares or sale or perceived sale of additional Shares by us, the Controlling Shareholders or other Shareholders.

In addition, shares of other companies listed on the Stock Exchange with operations and assets in China have experienced significant price volatility in the past. As a result, it is possible that our Shares may be subject to changes in price not directly related to our performance and as a result, investors in our Shares may suffer substantial losses.

RISK FACTORS

The interests of our Controlling Shareholders may not align with those of our other Shareholders.

Immediately following the completion of the Reorganization and the Global Offering, our Controlling Shareholders will directly and indirectly own an aggregate of 42.21% of our Shares. The interests of our Controlling Shareholders may differ from the interests of our other Shareholders. Our Controlling Shareholders could have significant influence in determining the outcome of any corporate transaction or other matters submitted to our Shareholders for approval, including mergers, consolidations and the sale of all or substantially all of our assets, election of Directors and other significant corporate actions. This concentration of ownership, as a result, may discourage, delay or prevent a change in control of our Company, which could deprive our Shareholders of an opportunity to receive a premium for their Shares in a sale of our Company or may reduce the market price of our Shares. In addition, to the extent the interests of our Controlling Shareholders conflict with the interest of our other Shareholders, the interests of our other Shareholders may be disadvantaged or harmed.

Since there will be a gap of several days between the pricing and trading of our Offer Shares, the price of our Offer Shares could fall below the Offer Price when trading commences.

The application for the Hong Kong Offer Shares will commence on Thursday, September 29, 2022 through Friday, October 7, 2022. Such time period is longer than the normal market practice of four days. The application monies (including brokerage, SFC transaction levy, Stock Exchange trading fee and Financial Reporting Council transaction levy) will be held by the receiving bank on behalf of our Company and the refund monies, if any, will be returned to the applicant(s) without interest on Monday, October 17, 2022. Investors should be aware that the dealings in our Shares on the Stock Exchange are expected to commence on Tuesday, October 18, 2022. Investors may not be able to sell or deal in our Shares during the period between the Price Determination Date, which is expected to be on or around Monday, October 10, 2022, and, in any event, not later than Wednesday, October 12, 2022, and the Listing Date. Our Shareholders are subject to the risk that the price of our Shares could fall before trading begins, as a result of adverse market conditions or other adverse developments that could occur between the Price Determination Date and the Listing Date.

Substantial future sales or the expectation of substantial sales of our Shares in the public market could cause the price of our Shares to decline.

Sales of substantial amounts of Shares in the public market after the completion of the Global Offering, or the perception that these sales could occur, could adversely affect the market price of our Shares. Although our Controlling Shareholders are subject to restrictions on its sales of Shares within 12 months from the Listing Date as described in “Underwriting” in this prospectus, future

RISK FACTORS

sales of a significant number of our Shares by our Controlling Shareholders in the public market after the Global Offering, or the perception that these sales could occur, could cause the market price of our Shares to decline and could materially impair our future ability to raise capital through offerings of our Shares. We cannot assure you that our Controlling Shareholders will not dispose of Shares held by them or that we will not issue Shares pursuant to the general mandate to issue shares granted to our Directors as described in “Appendix IV — Statutory and General Information” or otherwise, upon the expiration of restrictions set out above. We cannot predict the effect, if any, that any future sales of Shares by our Controlling Shareholders, or the availability of Shares for sale by our Controlling Shareholders, or the issuance of Shares by our Company may have on the market price of the Shares. Sale or issuance of a substantial amount of Shares by our Controlling Shareholders or us, or the market perception that such sale or issuance may occur, could materially and adversely affect the prevailing market price of the Shares.

You may face difficulties in protecting your interests because we are incorporated under Cayman Islands law, and these laws relating to the protection of interests of minority shareholders differ in some respects from those in Hong Kong and other jurisdictions.

Our corporate affairs are governed by our Articles of Association, the Cayman Companies Act, and the common law of the Cayman Islands. The rights of shareholders to take action against directors, the rights of minority shareholders to institute actions and the fiduciary responsibilities of our Directors to us under Cayman Islands law are to a large extent governed by the common law of the Cayman Islands. The common law 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 has persuasive, but not binding, authority on a court in the Cayman Islands. The rights of our Shareholders and the fiduciary responsibilities of our Directors under Cayman Islands law may not be the same as they would be under statutes or judicial precedent in Hong Kong. In particular, the Cayman Islands have different securities laws as compared to Hong Kong and may not provide the same protection to investors. Furthermore, shareholders of Cayman Islands companies may not have standing to initiate a shareholder derivative action in a Hong Kong court.

There may be dilution because of issuance of new Shares or equity securities.

In spite of our current bank balances and cash and the net proceeds from the Global Offering, we may require additional funds due to changes in business conditions or other future developments relating to, inter alia, our existing operations or any future expansions. The amount and timing of such additional financing needs will vary depending on the timing investments in and/or acquisitions of new businesses from third parties, and the amount of cash flow from our operations. If our resources are insufficient to satisfy our cash requirements, we may seek additional financing through selling additional equity or debt securities or obtaining a credit facility. The sale of additional equity securities could result in additional dilution to our

RISK FACTORS

Shareholders. If additional funds are raised by way of issuance of new Shares or equity linked securities other than on a pro rata basis to existing shareholders, the percentage of ownership of our existing Shareholders in our Company, the earnings per Share and the net asset value per Share may be reduced.

Because the initial public Offer Price per Share is higher than the net tangible book value per Share, purchasers of our Shares in the Global Offering will experience immediate dilution.

The Offer Price of our Offer Shares is higher than the net tangible book value per Share immediately prior to the Global Offering. Therefore, purchasers of our Shares in the Global Offering will experience an immediate dilution. Existing Shareholders will receive an increase in the pro forma adjusted consolidated net tangible assets value per share of their shares. If we issue additional Shares in the future, purchasers of our Offer Shares may experience further dilution.

We may be unable to declare dividends on our Shares in the future.

We currently do not have any predetermined dividend payout ratio. The amount of dividends actually distributed to our Shareholders will depend on our operations and earnings, capital requirements and surplus, general financial condition, contractual restrictions, capital expenditure and future development requirements, shareholders' interests and such other conditions and other factors that our Directors may deem relevant and will be subject to approval of our Shareholders. Our Directors have the absolute discretion to recommend any dividends. See the paragraph headed "Financial Information — Dividends" in this prospectus.

Our future declarations of dividends may or may not reflect our historical declarations of dividends and will be at the absolute discretion of our Directors. Our future payments of dividends will be at the absolute discretion of our Directors. We cannot assure you when or whether we will pay dividends in the future.

If securities or industry analysts do not publish research reports about our business, or if they adversely change their recommendations regarding our Shares, the market price and trading volume of our Shares may decline.

The trading market for our Shares may be influenced by research reports that industry or securities analysts publish about us or our business. If one or more analysts who cover us downgrade our Shares or publish negative opinions about us, the market price of our Shares would likely decline regardless of the accuracy of the information. If one or more of these analysts cease coverage of 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 of our Shares to decline.

RISK FACTORS

Certain statistics contained in this prospectus are derived from official government sources and they may not be reliable.

Certain statistics contained in this prospectus relating to China, the PRC economy and the industries in which we operate have been derived from various official government publications or reports. We have taken reasonable care in the reproduction or extraction of the official government publications or reports for the purpose of disclosure in this prospectus, however, we cannot assure you that the quality or reliability of such source materials. They have not been prepared or independently verified by us, the Underwriters or any of their respective affiliates or advisors and, therefore, we make no representation as to the accuracy of such statistics from these official government sources, which may not be consistent with other information compiled within or outside the PRC. In all cases, investors should give consideration as to how much weight or importance they should attach to or place on such facts.

You should read the entire document carefully and should not rely on any information contained in press articles or other media regarding us and the Global Offering.

We strongly caution you not to rely on any information contained in press articles or other media regarding us and the Global Offering. Prior to the publication of this prospectus, there has been press and media coverage regarding us and the Global Offering. Such press and media coverage may include references to certain information that does not appear in this prospectus, including certain operating and financial information and projections, valuations and other information. We have not authorized the disclosure of any such information in the press or media and do not accept any responsibility for any such press or media coverage or the accuracy or completeness of any such information or publication. We make no representation as to the appropriateness, accuracy, completeness or reliability of any such information or publication. To the extent that any such information is inconsistent or conflicts with the information contained in this prospectus, we disclaim responsibility for it and you should not rely on such information.

WAIVERS FROM STRICT COMPLIANCE WITH THE LISTING RULES

In preparation for the Listing, our Company has sought the following waivers from strict compliance with the relevant provisions of the Listing Rules and the following exemption from compliance with the Companies (Winding Up and Miscellaneous Provisions) Ordinance.

1. MANAGEMENT PRESENCE IN HONG KONG

Rule 8.12 of the Listing Rules provides that an applicant applying for a primary listing on the Stock Exchange must have a sufficient management presence in Hong Kong. This normally means that at least two of its executive directors must be ordinary resident in Hong Kong.

We do not have sufficient management presence in Hong Kong for the purpose of satisfying the requirements under Rule 8.12 of the Listing Rules. As our Company's principal business, operations, management and senior management are located, managed and conducted in the PRC, our Company considers that it would be unduly burdensome, impractical and not be in the best interests of our Company and our Shareholders as a whole to appoint executive Directors who will be ordinarily resident in Hong Kong. As all of the executive Directors currently reside in the PRC, our Company does not, and for the foreseeable future, will not, have sufficient management presence in Hong Kong for the purpose of satisfying the requirements under Rule 8.12 of the Listing Rules.

Accordingly, we have applied to the Stock Exchange for, and the Stock Exchange has granted, a waiver from strict compliance with Rule 8.12 of the Listing Rules, and the following arrangements have been made for maintaining regular and effective communication with the Stock Exchange:

- (a) we have appointed and will continue to maintain two authorized representatives pursuant to Rule 3.05 of the Listing Rules who will act as the principal channel of communication with the Stock Exchange. The two authorized representatives to be appointed are Mr. Wang, one of our executive Directors, our chief executive officer and the chairman of our Board, and Ms. Chan Sau Ling, the joint company secretary of our Company. Although Mr. Wang resides in the PRC, he possesses valid travel documents to visit Hong Kong and is able to renew such travel documents when it expires. Each of the authorized representatives of our Company has confirmed that he/she will be available to meet the Stock Exchange in Hong Kong within a reasonable time upon the request of the Stock Exchange and will be readily contactable by telephone, facsimile and e-mail. Each of them will be authorized to communicate on behalf of our Company with the Stock Exchange;

WAIVERS FROM STRICT COMPLIANCE WITH THE LISTING RULES

- (b) each of our authorized representatives will be provided with means to contact all Directors (including the independent non-executive Directors) promptly at all times as and when the Stock Exchange wishes to contact the members of the Board for any matters. To enhance communication between the Stock Exchange, the authorized representatives and our Directors, our Company has implemented a policy whereby each Director will have to provide his/her office phone number, mobile phone number, facsimile number and email address to the authorized representatives and the Stock Exchange; in the event that a Director expects to travel and be out of office, he/she will have to provide the phone number of the place of his/her accommodation or other means of communication to the authorized representatives;
- (c) we will ensure that each Director who is not ordinarily resident in Hong Kong has confirmed that he/she possesses or will apply for valid travel documents to visit Hong Kong and is able to meet with the Stock Exchange within a reasonable period of time when required;
- (d) we have retained the services of a compliance advisor, Shenwan Hongyuan Capital (H.K.) Limited (the “**Compliance Advisor**”), in compliance with Rule 3A.19 of the Listing Rules. The Compliance Advisor will serve as an additional channel of communication with the Stock Exchange in addition to the authorized representatives of our Company. The Compliance Advisor will provide us with professional advice on continuing obligations under the Listing Rules. There will be adequate and efficient means of communication between our Company, the authorized representatives, our Directors and other officers and the Compliance Advisor and we will keep the Compliance Advisor fully informed of all communications and dealings between us and the Stock Exchange. The Compliance Advisor will also provide advice to us when consulted by us in compliance with Rule 3A.23 of the Listing Rules;
- (e) in addition to the Compliance Advisor’s role and responsibilities after the Listing to provide advice to our Company on the continuing requirements under the Listing Rules and applicable laws and regulations, our Company will consider to appoint other professional advisors (including its legal advisors in Hong Kong) after the Listing to assist our Company in addressing any enquiries which may be raised by the Stock Exchange and to ensure that there will be prompt and effective communication with the Stock Exchange;
- (f) if the circumstances require, meetings of our Board could be arranged and held in such manner as permitted under the articles of association of our Company at short notice to discuss and address any issue with which the Stock Exchange is concerned in a timely manner; and

WAIVERS FROM STRICT COMPLIANCE WITH THE LISTING RULES

- (g) meetings between the Stock Exchange and our Directors could be arranged through the authorized representatives or the Compliance Advisor, or directly with our Directors within a reasonable time frame.

Our Company will inform the Stock Exchange promptly in the event of any change of the authorized representatives or the Compliance Advisor in accordance with the Listing Rules.

2. JOINT COMPANY SECRETARIES

Pursuant to Rules 3.28 and 8.17 of the Listing Rules, the company secretary must be an individual who, by virtue of his/her academic or professional qualifications or relevant experience, is, in the opinion of the Stock Exchange, capable of discharging the functions of the company secretary. Note 1 to Rule 3.28 of the Listing Rules further provides that the Stock Exchange considers the following academic or professional qualifications to be acceptable: (i) a member of The Hong Kong Institute of Chartered Secretaries; (ii) a solicitor or barrister (as defined in the Legal Practitioners Ordinance); and (iii) a certified public accountant (as defined in the Professional Accountants Ordinance).

Note 2 to Rule 3.28 of the Listing Rules provides that, in assessing “relevant experience,” the Stock Exchange will consider the individual’s: (i) length of employment with the issuer and other listed companies and the roles he/she played, (ii) familiarity with the Listing Rules and other relevant law and regulations including the Securities and Futures Ordinance, the Companies Ordinance, the Companies (Winding Up and Miscellaneous Provisions) Ordinance and the Takeovers Code, (iii) relevant training taken and/or to be taken in addition to the minimum requirement of taking not less than fifteen hours of relevant professional training in each financial year under Rule 3.29 of the Listing Rules, and (iv) professional qualifications in other jurisdictions.

In the Guidance Letter HKEX-GL108-20, the Stock Exchange stated that in considering waiver applications under Rule 3.28 of the Listing Rules, it will consider, among others, the following factors: (i) whether the issuer has principal business activities primarily outside Hong Kong; (ii) whether the issuer was able to demonstrate the need to appoint a person who does not have the acceptable qualification nor “relevant experience” as a company secretary; and (iii) why the directors consider the individual to be suitable to act as the issuer’s company secretary.

WAIVERS FROM STRICT COMPLIANCE WITH THE LISTING RULES

We have appointed Mr. Li Yao and Ms. Chan Sau Ling (“**Ms. Chan**”) as our joint company secretaries on December 13, 2021. Mr. Li Yao is an executive Director, secretary to the Board and vice president of our Company. He also has extensive experience in board and corporate management matters. Since Mr. Li Yao does not possess a qualification stipulated in Rule 3.28 of the Listing Rules, he is not able to solely fulfil the requirements as a company secretary of a listed issuer stipulated under Rules 3.28 and 8.17 of the Listing Rules.

Accordingly, we have applied to the Stock Exchange for, and the Stock Exchange has granted, a waiver from strict compliance with the requirements under Rules 3.28 and 8.17 of the Listing Rules in relation to the appointment of Mr. Li Yao as our joint company secretary. In order to provide support to Mr. Li Yao, we have appointed Ms. Chan, fellow of both The Chartered Governance Institute (formerly known as The Institute of Chartered Secretaries and Administrators) in the United Kingdom and The Hong Kong Chartered Governance Institute (formerly known as The Hong Kong Institute of Chartered Secretaries), who meets the requirements under Rules 3.28 and 8.17 of the Listing Rules, as a joint company secretary to provide assistance to Mr. Li Yao, for a three-year period from the Listing Date so as to enable him to acquire the relevant experience (as required under Note 2 to Rule 3.28(2) of the Listing Rules) to duly discharge his duties and to comply with the requirements under Rules 3.28 and 8.17 of the Listing Rules.

Ms. Chan will work closely with Mr. Li Yao to jointly discharge the duties and responsibilities as company secretaries and assist Mr. Li Yao in acquiring the relevant experience as required under Rule 3.28 of the Listing Rules. Mr. Li Yao will also be assisted by the Compliance Advisor for the first full financial year from the Listing Date, particularly in relation to Hong Kong corporate governance practices and compliance issues on matters concerning our Company’s ongoing compliance with the Listing Rules and the applicable Hong Kong laws and regulations. In addition, Mr. Li Yao will endeavor to attend relevant trainings and familiarize himself with the Listing Rules and duties required of a company secretary of an issuer listed on the Stock Exchange.

Such waiver will be revoked immediately if there are material breaches of the Listing Rules by our Company, or and when Ms. Chan ceases to provide such assistance. We will liaise with the Stock Exchange before the end of the three-year period to enable it to assess whether Mr. Li Yao, having had the benefit of Ms. Chan’s assistance for three years and will have acquired relevant experience within the meaning of Rule 3.28 of the Listing Rules so that a further waiver will not be necessary.

See the section headed “Directors and Senior Management” in this prospectus for further information regarding the qualifications of Mr. Li Yao and Ms. Chan.

3. CONNECTED TRANSACTIONS

We have entered into the Contractual Arrangements which would constitute continuing connected transactions of our Company under the Listing Rules following the completion of the Global Offering. Accordingly, we have applied to the Stock Exchange for, and the Stock Exchange has granted us, a waiver from strict compliance with (where applicable) (i) the announcement and independent shareholders' approval requirements pursuant to Rule 14A.105 of the Listing Rules, (ii) the annual cap requirement pursuant to Rule 14A.53 of the Listing Rules, and (iii) the requirement of limiting the term of the continuing connected transactions under Rule 14A.52 of the Listing Rules as set out in Chapter 14A of the Listing Rules for such continuing connected transactions. Should there be any amendment of terms of the Contractual arrangements or any proposed transaction to be entered into between our Group and its connected person(s), our Group shall comply with the requirements under Chapter 14A of the Listing Rules unless a waiver from the Stock Exchange is obtained as appropriate. For further details, see the section headed "Connected Transactions" in this prospectus.

INFORMATION ABOUT THIS PROSPECTUS AND THE GLOBAL OFFERING

DIRECTORS' RESPONSIBILITY FOR THE CONTENTS OF THIS PROSPECTUS

This prospectus includes particulars given in compliance with the Companies (Winding Up and Miscellaneous Provisions) Ordinance, the Securities and Futures (Stock Market Listing) Rules (Chapter 571V of the Laws of Hong Kong) and the Listing Rules for the purpose of giving information to the public with regard to our Group. Our Directors (including any proposed Director who is named as such in this prospectus) collectively and individually accept full responsibility for the accuracy of the information contained in this prospectus and confirm, having made all reasonable enquiries, that to the best of their knowledge and belief, the information contained in this prospectus is accurate and complete in all material respects and not misleading or deceptive, and there are no other matters the omission of which would make this prospectus or any statement herein misleading.

THIS HONG KONG PUBLIC OFFERING AND THE PROSPECTUS

This prospectus is published solely in connection with the Hong Kong Public Offering, which forms part of the Global Offering. For applicants under the Hong Kong Public Offering, this prospectus contains the terms and conditions of the Hong Kong Public Offering. See the section headed “How to Apply for Hong Kong Offer Shares” in this prospectus for details of the procedures for applying for the Hong Kong Offer Shares.

The Hong Kong Offer Shares are offered solely on the basis of the information contained and representations made in this prospectus and on the terms and conditions set out herein and therein. No person has been authorised to give any information or make any representations other than those contained in this prospectus and, if given or made, such information or representations must not be relied on as having been authorised by us, the Sole Sponsor, the Joint Global Coordinators, the Joint Bookrunners, the Joint Lead Managers, the Underwriters, any of our or their affiliates or any of their respective directors, officers, employees or agents or any other person or party involved in the Global Offering. Neither the delivery of this prospectus nor any offering, sale or delivery made in connection with our Shares shall, under any circumstances, constitute a representation that there has been no change or development reasonably likely to involve a change in our affairs since the date of this prospectus or imply that the information in this prospectus is correct as of any subsequent time.

STRUCTURE OF THE GLOBAL OFFERING AND UNDERWRITING

See the section headed “Structure of the Global Offering” in this prospectus for details of the structure of the Global Offering, including its conditions and the arrangements relating to the Over-allotment Option and stabilisation.

INFORMATION ABOUT THIS PROSPECTUS AND THE GLOBAL OFFERING

The Listing is sponsored by the Sole Sponsor. The Hong Kong Public Offering is fully underwritten by the Hong Kong Underwriters pursuant to the Hong Kong Underwriting Agreement. The International Underwriting Agreement relating to the International Offering is expected to be entered into on or around the Price Determination Date, subject to agreement on the Offer Price between the Relevant Global Coordinators and us. The Global Offering is managed by the Joint Global Coordinators. If, for any reason, the Offer Price is not agreed, the Global Offering will not proceed and will lapse. See the section headed “Underwriting” in this prospectus for details of the Underwriters and the underwriting arrangements.

RESTRICTIONS ON OFFER OF THE OFFER SHARES

Each person acquiring the Hong Kong Offer Shares under the Hong Kong Public Offering will be required to confirm, and is deemed by his acquisition of Hong Kong Offer Shares to have confirmed, that he is aware of the restrictions on offers of the Offer Shares described in this prospectus and that he is not acquiring, and has not been offered, any Offer Shares in circumstances that contravene any such restrictions.

No action has been taken to permit a public offering of the Offer Shares or the distribution of this prospectus in any jurisdiction other than Hong Kong. Accordingly, without limitation to the following, this prospectus may not be used for the purpose of, and does not constitute, an offer or invitation in any jurisdiction or in any circumstances in which such an offer or invitation is not authorised or to any person to whom it is unlawful to make such an offer or invitation. The distribution of this prospectus and the offering of the Offer Shares in other jurisdictions are subject to restrictions and may not be made except as permitted under the securities laws of such jurisdiction pursuant to registration with or an authorisation by the relevant securities regulatory authorities or an exemption therefrom. In particular, the Offer Shares have not been publicly offered and sold, and will not be offered or sold, directly or indirectly in the PRC or the United States.

APPLICATION FOR LISTING ON THE STOCK EXCHANGE

Application has been made to the Listing Committee of the Stock Exchange for the granting of the listing of and permission to deal in the Shares in issue and to be issued pursuant to the Capitalization Issue and the Global Offering (including any additional Shares which may be issued pursuant to the exercise of the Over-allotment Option and Shares which may be issued upon the exercise of options which may be granted under the Post-IPO Share Option Scheme). Dealings in the Shares on the Stock Exchange are expected to commence on Tuesday, October 18, 2022.

INFORMATION ABOUT THIS PROSPECTUS AND THE GLOBAL OFFERING

Save as disclosed in this prospectus, no part of our share capital or loan capital is listed on or dealt in on any other stock exchange and no such listing or permission to list is being or proposed to be sought in the near future.

SHARES WILL BE ELIGIBLE FOR ADMISSION INTO CCASS

Subject to the Stock Exchange granting the listing of, and permission to deal in, our Shares on the Stock Exchange and we complying with the stock admission requirements of HKSCC, our Shares will be accepted as eligible securities by HKSCC for deposit, clearance and settlement in CCASS with effect from the Listing Date or any other date as determined by HKSCC.

Settlement of transactions between participants of the Stock Exchange is required to take place in CCASS on the second settlement day after any trading day. All necessary arrangements have been made for the Shares to be admitted into CCASS. All activities under CCASS are subject to the general rules of CCASS and CCASS operational procedures in effect from time to time. You should seek the advice of your stockbroker or other professional advisor for details of those settlement arrangements as such arrangements will affect your rights and interests.

HONG KONG SHARE REGISTER AND STAMP DUTY

All Shares issued by us pursuant to applications made in the Hong Kong Public Offering will be registered on our register of members to be maintained by our Hong Kong Share Registrar, Tricor Investor Services Limited, in Hong Kong. Our principal register of members will be maintained by our principal registrar, Ogier Global (Cayman) Limited, in the Cayman Islands.

No stamp duty is payable by applicants in the Global Offering.

Dealings in the Shares registered on our register of members in Hong Kong will be subject to Hong Kong stamp duty.

PROFESSIONAL TAX ADVICE RECOMMENDED

Potential investors in the Global Offering are recommended to consult their professional advisors if they are in any doubt as to the taxation implications of subscribing for, purchasing, holding, disposing of, dealing in or exercising any rights in relation to, the Shares. None of us, the Sole Sponsor, Joint Global Coordinators, the Joint Bookrunners, the Joint Lead Managers, the Underwriters, any of our or their affiliates or any of their respective directors, officers, employees or agents or any other person or party involved in the Global Offering accepts responsibility for any tax effects on, or liabilities of, any person resulting from the subscription for, purchase, holding, disposition of, dealing in, or exercising any rights in relation to, the Shares.

INFORMATION ABOUT THIS PROSPECTUS AND THE GLOBAL OFFERING

EXCHANGE RATE CONVERSION

Solely for your convenience, this prospectus contains translations of certain RMB amounts into Hong Kong dollars at a specified rate. Unless we indicate otherwise, the translations of RMB into Hong Kong dollars into RMB, of U.S. dollars into RMB, and of U.S. dollars into Hong Kong dollars, and vice versa, have been made at the following rates in this prospectus:

HKD1.00 to RMB0.8830

USD1.00 to RMB6.9305

USD1.00 to HKD7.8498

No representation is made that any amount in RMB or Hong Kong dollars can be or could be, or have been, converted at the above rate or any other rate or at all.

LANGUAGE

If there is any inconsistency between this prospectus and its Chinese translation, this prospectus shall prevail. For ease of reference, the names of Chinese laws and regulations, governmental authorities, institutions, natural persons or other entities (including certain of our subsidiaries) have been included in this prospectus in both the Chinese and English languages and in the event of any inconsistency, the Chinese versions shall prevail.

ROUNDING

Certain amounts and percentage figures included in this prospectus have been subject to rounding adjustments. Accordingly, figures shown as totals in certain tables may not be an arithmetic aggregation of the figures preceding them.

DIRECTORS AND PARTIES INVOLVED IN THE GLOBAL OFFERING

DIRECTORS

Name	Address	Nationality
<i>Executive Directors</i>		
Wang Lei (汪磊)	202 Room 11, 2nd Floor, Building 6 Xinjiekou Xili Area 3 Xicheng District Beijing PRC	Chinese
Li Yanhao (李艷浩)	Room 2406, Building 5 Anhuili Area 2 Chaoyang District Beijing PRC	Chinese
Xu Bing (徐冰)	Room 801, Block 1, Building 10 Herunjiayuan Area 3, Changping District Beijing PRC	Chinese
Li Yao (李堯)	703, 7th Floor, Building 4 Chunshu Garden Xicheng District Beijing PRC	Chinese
<i>Independent Non-executive Directors</i>		
Jiang Yi (江一)	3110, Building 3, North District Xuhui 26 Block, Nanjiao Road Beijing PRC	Chinese
Tan Deqing (譚德慶)	Room 402, Block 1, Building 7 No. 1, Changqing Road Jinniu District Chengdu PRC	Chinese
Wang Beili (王蓓莉)	Room 1602 No. 1, Lane 1550, Pingliang Road Yangpu District Shanghai PRC	Chinese

For further information regarding our Directors, please see the section headed “Directors and Senior Management” in this prospectus.

DIRECTORS AND PARTIES INVOLVED IN THE GLOBAL OFFERING

PARTIES INVOLVED IN THE GLOBAL OFFERING

Sole Sponsor

Shenwan Hongyuan Capital (H.K.) Limited

Level 6
Three Pacific Place
1 Queen's Road East
Hong Kong

Joint Global Coordinators

Shenwan Hongyuan Securities (H.K.) Limited

Level 6
Three Pacific Place
1 Queen's Road East
Hong Kong

CLSA Limited

18/F
One Pacific Place
88 Queensway
Hong Kong

CMB International Capital Limited

45/F, Champion Tower
3 Garden Road
Central
Hong Kong

DBS Asia Capital Limited

73/F, The Center
99 Queen's Road Central
Central
Hong Kong

Joint Bookrunners

Shenwan Hongyuan Securities (H.K.) Limited

Level 6
Three Pacific Place
1 Queen's Road East
Hong Kong

DIRECTORS AND PARTIES INVOLVED IN THE GLOBAL OFFERING

CLSA Limited

18/F
One Pacific Place
88 Queensway
Hong Kong

CMB International Capital Limited

45/F, Champion Tower
3 Garden Road
Central
Hong Kong

DBS Asia Capital Limited

73/F, The Center
99 Queen's Road Central
Central
Hong Kong

Huatai Financial Holdings (Hong Kong) Limited

62/F, The Center
99 Queen's Road Central
Hong Kong

ABCI Capital Limited

11/F, Agricultural Bank of China Tower
50 Connaught Road
Central
Hong Kong

Citrus Securities Limited

Room 2201, 22/F
OfficePlus@Wan Chai
303 Hennessy Road
Wan Chai
Hong Kong

DIRECTORS AND PARTIES INVOLVED IN THE GLOBAL OFFERING

Dragonstone Capital Management Limited

Unit 708, 7/F
Bank of America Tower
12 Harcourt Road
Central
Hong Kong

Zhongtai International Securities Limited

19/F, Li Po Chun Chambers
189 Des Voeux Road Central
Central
Hong Kong

China Everbright Securities (HK) Limited

12/F, Everbright Centre
108 Gloucester Road
Wanchai
Hong Kong

West Bull Securities Limited

Unit 2701-03, 27/F
Infinitus Plaza
199 Des Voeux Road Central
Sheung Wan
Hong Kong

China Galaxy International Securities (Hong Kong) Co., Limited

20/F
Wing On Centre
111 Connaught Road Central
Hong Kong

Joint Lead Managers

Shenwan Hongyuan Securities (H.K.) Limited

Level 6
Three Pacific Place
1 Queen's Road East
Hong Kong

DIRECTORS AND PARTIES INVOLVED IN THE GLOBAL OFFERING

CLSA Limited

18/F
One Pacific Place
88 Queensway
Hong Kong

CMB International Capital Limited

45/F, Champion Tower
3 Garden Road
Central
Hong Kong

DBS Asia Capital Limited

73/F, The Center
99 Queen's Road Central
Central
Hong Kong

Huatai Financial Holdings (Hong Kong) Limited

62/F, The Center
99 Queen's Road Central
Hong Kong

ABCI Securities Company Limited

10/F, Agricultural Bank of China Tower
50 Connaught Road
Central
Hong Kong

Citrus Securities Limited

Room 2201, 22/F
OfficePlus@Wan Chai
303 Hennessy Road
Wan Chai
Hong Kong

Dragonstone Capital Management Limited

Unit 708, 7/F
Bank of America Tower
12 Harcourt Road
Central
Hong Kong

DIRECTORS AND PARTIES INVOLVED IN THE GLOBAL OFFERING

Zhongtai International Securities Limited

19/F, Li Po Chun Chambers
189 Des Voeux Road Central
Central
Hong Kong

China Everbright Securities (HK) Limited

12/F, Everbright Centre
108 Gloucester Road
Wanchai
Hong Kong

West Bull Securities Limited

Unit 2701-03, 27/F
Infinitus Plaza
199 Des Voeux Road Central
Sheung Wan
Hong Kong

China Galaxy International Securities (Hong Kong) Co., Limited

20/F
Wing On Centre
111 Connaught Road Central
Hong Kong

Futu Securities International (Hong Kong) Limited

Unit C1-2, 13/F
United Centre
No.95 Queensway
Admiralty
Hong Kong

Tiger Brokers (HK) Global Limited

Whole of 18th Floor
Central 88
88 Des Voeux Road Central
Hong Kong

DIRECTORS AND PARTIES INVOLVED IN THE GLOBAL OFFERING

Livermore Holdings Limited

Unit 1214A, 12/F
Tower II Cheung Sha Wan Plaza
833 Cheung Sha Wan Road
Kowloon
Hong Kong

Valuable Capital Limited

Room 2808, 28/F
China Merchants Tower
Shun Tak Centre
168–200 Connaught Road
Central
Hong Kong

Phillip Securities (Hong Kong) Limited

11F, United Centre
95 Queensway
Hong Kong

**Zheshang International Financial Holdings Co.,
Limited**

Room 4405, 44/F
Hopewell Centre
183 Queen's Road East
Wan Chai
Hong Kong

Legal Advisors to our Company

As to Hong Kong law:

Morrison & Foerster

33rd Floor, Edinburgh Tower
The Landmark
15 Queen's Road Central
Central
Hong Kong

DIRECTORS AND PARTIES INVOLVED IN THE GLOBAL OFFERING

As to PRC law:

Hylands Law Firm

12F Fortune Financial Center (FFC)
No. 5 Dongsanhuan Zhong Road
Chaoyang District
Beijing 100020
China

As to Cayman Islands law:

Ogier

11th Floor, Central Tower
28 Queen's Road Central
Central
Hong Kong

**Legal Advisors to the Sole Sponsor and
the Underwriters**

As to Hong Kong law:

Deacons

5th Floor, Alexandra House
18 Chater Road
Central
Hong Kong

As to PRC law:

Jingtian & Gongcheng

34th Floor, Tower 3
China Central Place
77 Jianguo Road
Chaoyang District
Beijing
China

Auditor and Reporting Accountants

Deloitte Touche Tohmatsu

Certified Public Accountants

Registered Public Interest Entity Auditor

35/F, One Pacific Place
88 Queensway
Hong Kong

DIRECTORS AND PARTIES INVOLVED IN THE GLOBAL OFFERING

Industry Consultant

Shanghai iResearch Co., Ltd.

3rd Floor, Tower B
Phase II SOHO
Guanghua Road
Chaoyang District
Beijing
China

Compliance Advisor

Shenwan Hongyuan Capital (H.K.) Limited

Level 6
Three Pacific Place
1 Queen's Road East
Hong Kong

Receiving Bank

CMB Wing Lung Bank Limited

45 Des Voeux Road Central
Hong Kong

CORPORATE INFORMATION

Registered office	89 Nexus Way Camana Bay Grand Cayman KY1-9009 Cayman Islands
Corporate headquarters	Shop 8, Jingyuan Art Center Guangqulu No. 3 Chaoyang District Beijing PRC
Principal place of business in Hong Kong	5/F, Manulife Place 348 Kwun Tong Road Kowloon Hong Kong
Company's website	<u>www.floatingcloud.com</u> <i>(The contents on this website do not form part of this prospectus)</i>
Joint Company secretaries	Li Yao (李堯) 703, 7th Floor, Building 4 Chunshu Garden Xicheng District Beijing PRC Chan Sau Ling (陳秀玲) <i>(Fellow of both The Hong Kong Chartered Governance Institute and The Chartered Governance Institute)</i> 5/F, Manulife Place 348 Kwun Tong Road Kowloon Hong Kong

CORPORATE INFORMATION

Authorized representatives

Wang Lei (汪磊)
202 Room 11, 2nd Floor, Building 6
Xinjiekou Xili Areas 3
Xicheng District
Beijing
PRC

Chan Sau Ling (陳秀玲)
5/F, Manulife Place
348 Kwun Tong Road
Kowloon
Hong Kong

Audit Committee

Wang Beili (王蓓莉) (*Chairlady*)
Jiang Yi (江一)
Tan Deqing (譚德慶)

Remuneration Committee

Tan Deqing (譚德慶) (*Chairman*)
Wang Lei (汪磊)
Wang Beili (王蓓莉)

Nomination Committee

Tan Deqing (譚德慶) (*Chairman*)
Wang Beili (王蓓莉)
Jiang Yi (江一)

Cayman Islands share registrar and transfer office

Ogier Global (Cayman) Limited
89 Nexus Way
Camana Bay
Grand Cayman
KY1-9009
Cayman Islands

Hong Kong Share Registrar

Tricor Investor Services Limited
17/F, Far East Finance Centre
16 Harcourt Road
Hong Kong

CORPORATE INFORMATION

Principal bankers

Beijing Rural Commercial Bank Co., Ltd.

Taoranting Branch

1st Floor, Tower E, Fuli Morgan Center

6 Tai Ping Street

Xicheng District

Beijing

Bank of Nanjing Co.

Beijing Branch

Yongxing Garden Hotel

101 Fucheng Rd.

Haidian District

Beijing

INDUSTRY OVERVIEW

Certain information and statistics set out in this section and elsewhere in this prospectus are derived from various government and other publicly available sources and from the market research report prepared by iResearch. iResearch is an independent industry consultant engaged by us, and we commissioned iResearch to prepare a market research report. The information from official government sources set out in this Industry Overview has not been independently verified by us, the Sole Sponsor, the Joint Global Coordinators, the Joint Bookrunners, the Joint Lead Managers, any of the Underwriters, any of our or their respective directors, officers, employees, advisors, agents or representatives or any other party involved in the Global Offering except iResearch and no representation is given as to its accuracy. For discussions of risks relating to our industry, please see the paragraph headed “Risk Factors — Risks Relating to Our Business and Industry” in this prospectus.

SOURCE OF INFORMATION

Founded in 2002, iResearch is an independent provider of online user data and consumer insights in China. Headquartered in Beijing and Shanghai, iResearch has a management team with over 400 employees worldwide and has accumulated extensive experience in researching and monitoring the development of the AR/VR industry and Metaverse in the PRC.

We have agreed to pay a commission fee of RMB0.55 million for the report prepared by iResearch (“**iResearch Report**”). Data for the iResearch Report on market size and users is mainly obtained through interviews with industry participants, marketing surveys, secondary sources and other research methods. Due to the limitations of such research methods, sample and size and scope of data collection, such data may not precisely reflect actual market conditions.

iResearch has prepared the iResearch Report on the assumptions that (i) the global and China’s social, economic and political environments will remain stable during the forecast period, providing a sustainable and steady development for AR/VR industry and Metaverse; and (ii) the data quoted from authoritative agencies remains unchanged. The market size and related data contained in the iResearch Report are mainly obtained through relevant interviews with industry professionals, secondary data sources and other research methods. Due to limitations in research methods, sampling and data collection scale and scope, relevant data may not accurately reflect the actual market conditions. iResearch has made the forecasts on relevant market sizes in China based on the factors including (i) historical data of market sizes in China, (ii) public documents and other public information related to the AR/VR industry and Metaverse, (iii) other experts’ forecasts and (iv) iResearch’s view and estimates on the development of these industries. iResearch believes that the basic assumptions used in preparing the iResearch Report, including those used to make future projections, are correct, reasonable and not misleading. iResearch has independently analyzed the information obtained from its research, but the findings contained in the iResearch Report largely rely on the accuracy of the information collected.

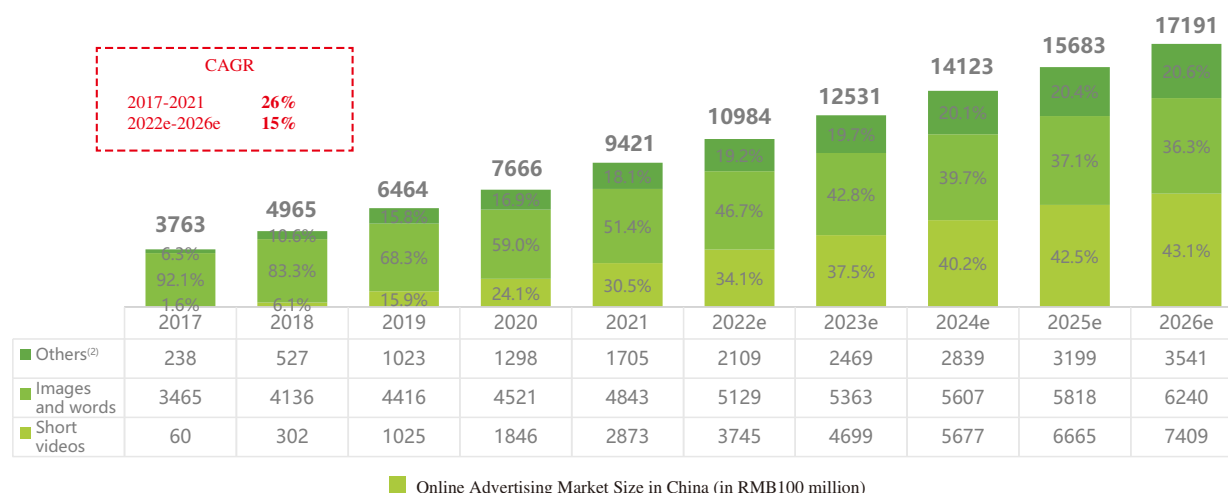
Except as otherwise noted, all of the data and forecasts contained in this section are derived from the iResearch Report. After making reasonable inquiries, our Directors confirm that there has been no adverse change in the market information presented in the iResearch Report since the date of its issuance which may materially qualify, contradict or impact the information in this section.

INDUSTRY OVERVIEW

THE ONLINE ADVERTISING MARKET IN CHINA

At present, online advertising is mainly in the forms of image, text and video. With the application and popularization of AR/VR technology in marketing and advertising industries, more advertising materials and marketing forms are expected to be presented in AR/VR in the future. Compared with traditional marketing methods including online advertising in the forms of image, text and video, AR/VR marketing can better capture the attention of end users and engage them. As AR/VR marketing offers widened channels to interact with end users, AR/VR advertisers can obtain a deeper understanding of end users' behavior preference and improve the accuracy to distribute advertisements. In addition, compared with traditional marketing methods, AR/VR marketing model created in the context of cloud computing, big data and social media is intelligent, scene-based, customized, personalized and socialized, through which end users who are unfamiliar with a brand can interact with each other and gain a better understanding of such brand, buy the products and thus be converted to a customer of the brand. The AR/VR marketing market is a major component of the AR/VR content and services market. The market size of online advertising market in terms of revenue in China is approximately RMB376.3 billion in 2017 and grew to RMB942.1 billion in 2021, representing a CAGR of 26%. From 2022 to 2026, the online advertising market is expected to increase from RMB1,098.4 billion in 2022 to RMB1,719.1 billion in 2026, representing a CAGR of 12%.

Online Advertising Market Size in China (by Revenue), 2017 - 2026E⁽¹⁾



Notes:

- (1) Market size refers to the total revenue of online advertising service in the PRC. The figures for 2022 to 2026 are estimated figures.
- (2) Others include online AR/VR marketing service.

INDUSTRY OVERVIEW

OVERVIEW OF AR/VR CONTENT AND SERVICES MARKET IN CHINA

Introduction of AR/VR Content and Services Market in China

The AR/VR content and services market is the scenario application tier of the Metaverse ecosystem. The scenario application tier of the Metaverse ecosystem provides scenario application construction which comprises AR/VR content and services. Various AR/VR applications such as VR cloud stores, AR/VR education and AR/VR marketing are the embodiment of the Metaverse's immersive virtual world.

The AR/VR content and services market in China refers to a market comprising the AR/VR content market and the AR/VR services market. The AR/VR content market in China refers to the segmented markets in which the content providers provide AR/VR content in various vertical industries for commercialization. AR/VR content includes entertainment content, educational content, among others. The AR/VR services market in China refers to the segmented markets in which the services providers provide AR/VR services to customers for commercialization. The AR/VR services mainly include marketing and e-commerce.

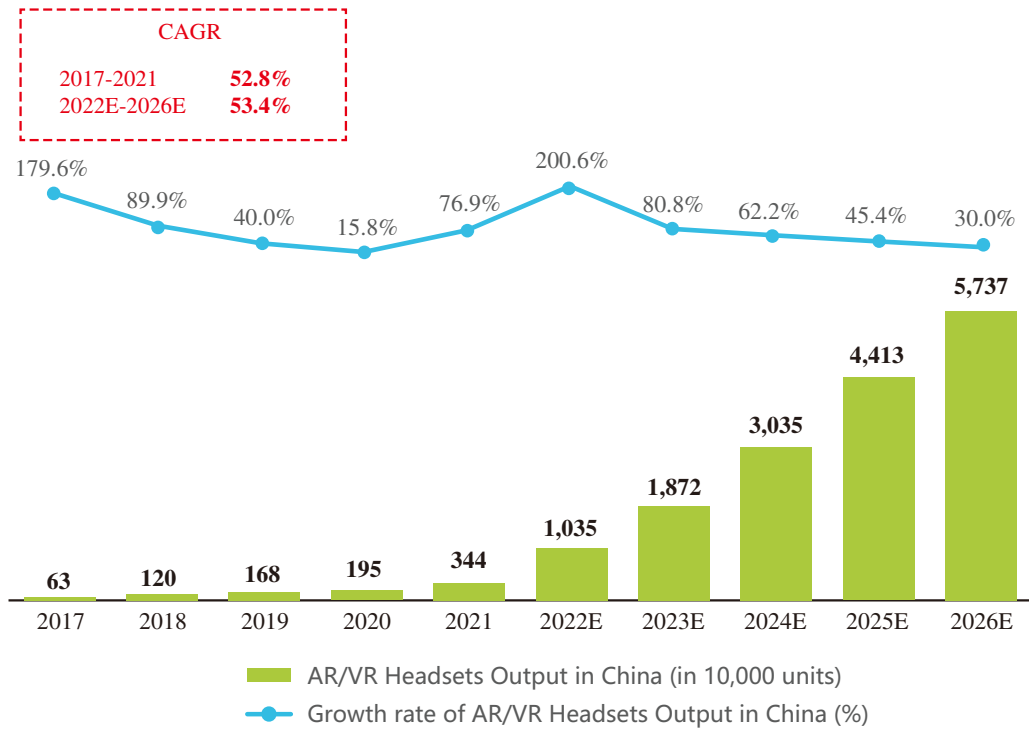
AR/VR hardware market

The AR/VR hardware market and the content and services market form a two-way virtuous circle. On the one hand, with the increase in the AR/VR hardware's output, its popularity, the user penetration and the manifestation of the commercial value, more AR/VR content providers will be attracted to enter the market and upgrade the content production technology and its functions. Through the improvement of the content supply and the continuous optimization of the quality, more users will be attracted and thereby enhancing the content monetization ability. On the other hand, when the quantity and quality of the content are improved, the demand for AR/VR hardware such as headsets and glasses will increase as the users would desire better experience of the content.

The output of AR/VR headsets in China is expected to grow from 10.4 million pieces in 2022 to 57.4 million pieces in 2026. The output of AR/VR headsets is expected to grow at a slower pace after 2022 because (1) the purchases of AR/VR headsets were postponed due to the COVID-19 pandemic leading to more demands in 2022 and (2) Metaverse has been a heated topic since the second half of 2021 and brought more demands for AR/VR headsets in 2022. The penetration rate of AR/VR headsets among netizens in China is expected to grow from 1.0% in 2022 to 4.5% in 2026. The growth of output of AR/VR headsets is expected to supplement the development of the AR/VR content market in China as more users are expected to have access to AR/VR headsets, which are a crucial medium to improve the AR/VR content viewing experience. In addition, as the current penetration rate of AR/VR headsets among netizens in China is relatively low, the markets for AR/VR headsets and AR/VR content have growth potentials. China is one of the countries with early emergence of popular AR/VR market. China has accumulated hardware production experience with continuous growth of AR/VR hardware output in recent years. The technology of Chinese AR/VR hardware component manufacturers has been valued by leading multinational corporations who engaged Chinese manufacturers as subcontractors and purchased from the Chinese manufacturers. In addition, China has introduced policies encouraging the cultivation of talents in VR which will further support China's development of AR/VR hardware technology. Based on the above, while AR/VR hardware related technology in China has certain advantage in the global market, there is still room for improvement.

INDUSTRY OVERVIEW

AR/VR Headsets Output in China, 2017-2026E

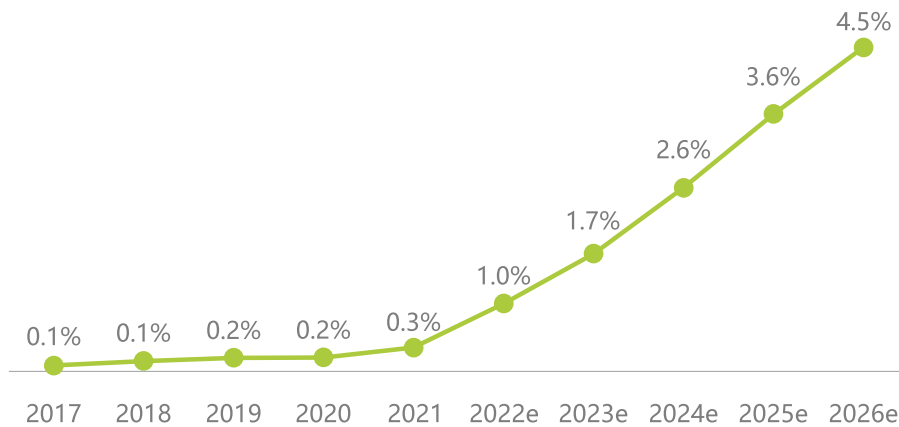


Note:

(1) The figures for 2022 to 2026 are estimated figures.

Source: iResearch

Penetration Rate of AR/VR Headset Output among Netizens in China, 2017-2026E



Note:

The penetration rate is the percentage figure of AR/VR headsets output among netizens in China, assuming that all netizens have demand for AR/VR headsets and AR/VR headset output can satisfy the demand of netizens.

Source: China Internet Network Information Center; iResearch

INDUSTRY OVERVIEW

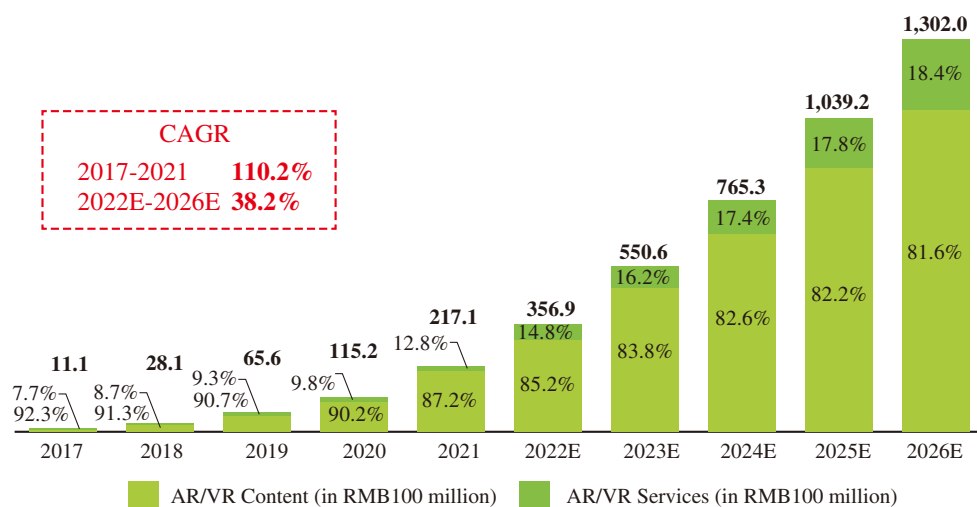
Market Size of AR/VR Content and Services Market in China

Since 2016, AR/VR technology had been increasingly applied in different scenarios, and China's AR/VR content and services market has also begun to develop. The market size of the AR/VR content and services market in terms of revenue increased from RMB1.1 billion in 2017 to RMB21.7 billion in 2021, representing a CAGR of 110.2%. The AR/VR content and services market in China is currently at a stage of rapid development. With the continuous growing of AR/VR content and services application in various industries, the market size of the AR/VR content and services market in terms of revenue is expected to reach RMB130.2 billion in 2026, representing a CAGR of 38.2% during the period of 2022 to 2026.

The AR/VR content market has a dominant market position currently in the AR/VR content and services market. However, with the increasing popularity of AR/VR technology in marketing and e-commerce, more companies are expected to adopt innovative AR/VR marketing or VR e-commerce cloud store. The market share of the AR/VR services market in the AR/VR content and services market is expanding and is expected to reach 18.4% in 2026 from 12.8% in 2021.

The AR/VR content and services market in China mainly covered marketing, e-commerce, culture and tourism, industrial manufacturing, healthcare, real estate and home, live-streaming, education, gaming and entertainment as of 2021. In 2021, gaming, entertainment and education were the three largest industries in the AR/VR content and services market in terms of revenue. It is expected that revenue from gaming, entertainment and education will grow at CAGRs of 30.2%, 38.7% and 35.6% from 2022 to 2026, respectively, reaching RMB24.4 billion, RMB23.8 billion and RMB16.5 billion, respectively, in 2026.

AR/VR Content and Services Market Size in China (by Revenue), 2017-2026E⁽¹⁾



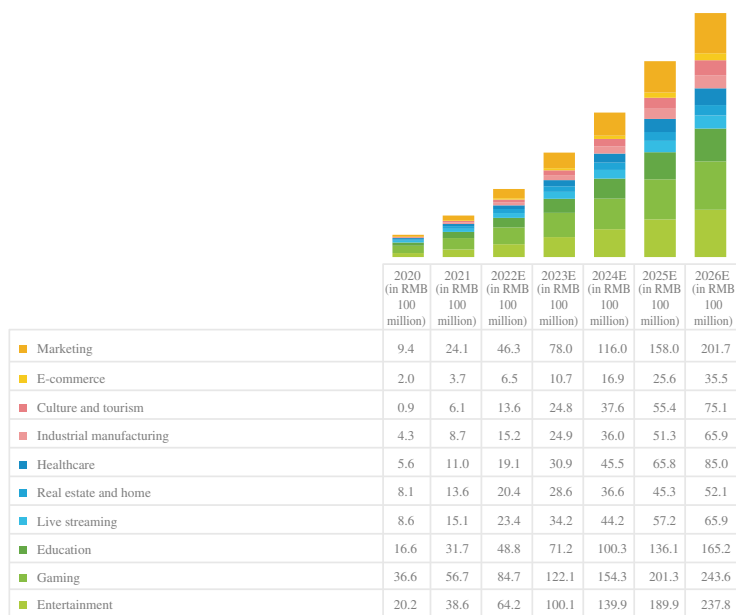
Note:

- (1) Market size refers to the total revenue of AR/VR content and services generated by AR/VR content and services providers in the PRC. The figures for 2022 to 2026 are estimated figures.

Source: iResearch

INDUSTRY OVERVIEW

**AR/VR Content and Services Market Size by Industry
in China (by Revenue), 2020-2026E⁽¹⁾**



Notes:

- (1) Market size refers to the total revenue of AR/VR content and services generated by AR/VR content and services providers in the PRC. The figures for 2022 to 2026 are estimated figures.
- (2) Data for AR/VR content and services market size by industry for 2016 to 2019 are not available due to the small market size of the AR/VR content and services market from 2016 to 2019.

Source: iResearch

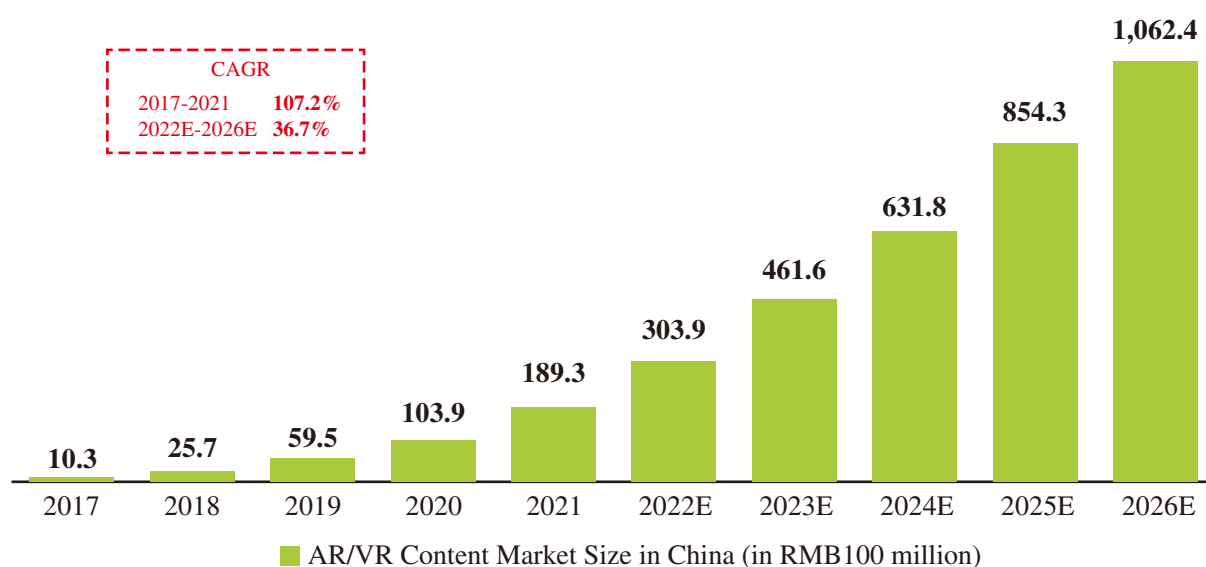
The AR/VR Content Market in China

The AR/VR content market refers to the market that focuses on providing content, building scenarios, and providing solutions using AR/VR technology for various industries. As the industry chain continues to expand and content continues to accumulate, AR/VR content is expected to be fully integrated with applicable vertical industries, driving industry changes, spawning more business models and creating more business value.

The market size of the AR/VR content market in terms of revenue in China is approximately RMB1.0 billion in 2017 and grew to RMB18.9 billion in 2021, representing a CAGR of 107.2%. As the AR/VR content needs to be produced or presented through AR/VR hardware, its market size is limited by the hardware penetration rate. Compared with the rapid development of AR/VR hardware market abroad, the AR/VR hardware market in China suffered from poor user experience and high price. As a result, the AR/VR content market in China mostly served business-end users in the current stage. However, with the advancement in technology, the quality of AR/VR hardware in China has been significantly improved in recent years, and the price of which also decreased. The consumer-level VR products had gradually emerged in the market and the AR/VR industry has entered a positive cycle of growth, with the increase in users leading to the increase in income for the hardware developers and content providers, subsequently leading to optimization of experience and further increase in users. From 2022 to 2026, the AR/VR content market is expected to increase from RMB30.4 billion in 2022 to RMB106.2 billion in 2026, representing a CAGR of 36.7%.

INDUSTRY OVERVIEW

AR/VR Content Market Size in China (by Revenue), 2017-2026E⁽¹⁾



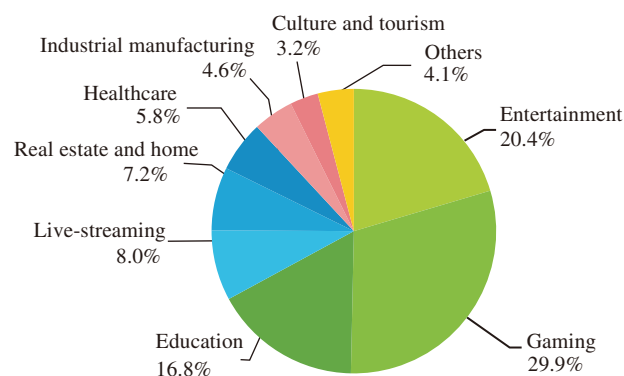
Note:

- (1) Market size refers to the total revenue of AR/VR content generated by AR/VR content providers in the PRC. The figures for 2022 to 2026 are estimated figures.

Source: iResearch

AR/VR content comprises (i) gaming content, (ii) entertainment content, (iii) educational content, (iv) live-streaming content, (v) real estate and home content, (vi) healthcare content, (vii) industrial manufacturing content, (viii) culture and tourism content and (ix) others, which accounted for 29.9%, 20.4%, 16.8%, 8.0%, 7.2%, 5.8%, 4.6%, 3.2% and 4.1% of the AR/VR content market, respectively, in 2021.

AR/VR Content Market Composition in China (by Revenue), 2021⁽¹⁾



Note:

- (1) Market composition refers to the total revenue of AR/VR content generated by AR/VR content providers in the PRC in 2021.

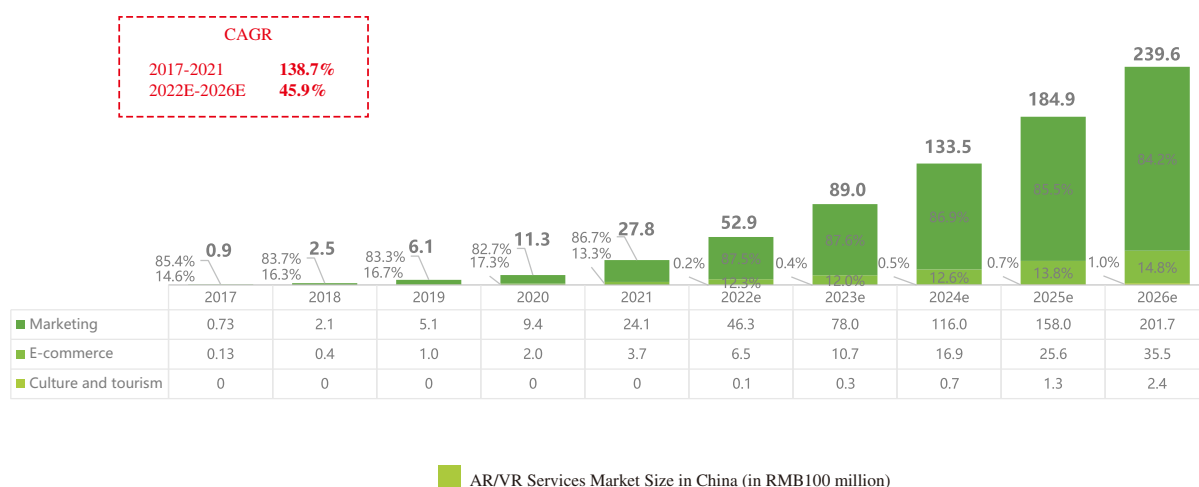
Source: iResearch

INDUSTRY OVERVIEW

The AR/VR Services Market in China

The AR/VR services market refers to the market that focuses on creating overall solutions to address customers' business needs. The AR/VR services providers often generate revenue based on performance effect and may be involved in customers' AR/VR-related operation. The AR/VR services market in China mainly includes AR/VR marketing and AR/VR e-commerce. Any industry with a need in marketing and sales may have a demand for the AR/VR services. Compared with the AR/VR content market, the development of the AR/VR services market in China started relatively late. The market size in terms of revenue increased from approximately RMB90 million in 2017 to RMB2.8 billion in 2021, representing a CAGR of 138.7%. As the usage of AR/VR content increased in marketing and e-commerce scenarios, more advertising customers and merchants have begun to invest marketing budgets in AR/VR services. The market size of the AR/VR services market in terms of revenue is estimated to increase from RMB5.3 billion in 2022 to RMB24.0 billion in 2026, representing a CAGR of 45.9%. As marketing is needed in all kinds of industries, AR/VR marketing has been the largest component in the AR/VR services market historically. AR/VR marketing also has significant growth potentials with the increasing popularity of AR/VR in marketing. In addition, with AR/VR gaining popularity and corporate customers valuing performance effect of services, it is expected that performance-based services other than AR/VR marketing have potential to grow in the AR/VR services market.

AR/VR Services Market Size in China (by Revenue), 2017-2026E⁽¹⁾



Note:

- (1) Market size refers to the total revenue of AR/VR services generated by AR/VR services providers in the PRC. The figures for 2022 to 2026 are estimated figures.

Source: iResearch

The current forms of online advertising are mainly graphics and videos. With the popularization of AR/VR technology in marketing, more advertising materials and marketing channels are expected to be presented in the form of AR/VR in the future. As the essence of marketing is to attract and transform consumers, AR/VR with its strong visual effect and rich

INDUSTRY OVERVIEW

interactive content has unique application potential in the marketing industry. With the continuous improvement of the underlying technology, AR/VR-based marketing methods have become more innovative and effective.

One typical application of AR/VR e-commerce is VR cloud store. VR cloud store services refer to the online virtual store built on an e-commerce platform. Combined with VR technology and presentation methods, VR cloud store can maximize the realization of a complete and real shopping experience for consumers. The main model of China's VR cloud store is through e-commerce platforms. Merchants can develop and design the cloud store by cooperating with an e-commerce platform or suppliers. At present, the business model of China's VR cloud store is still in its infancy. As more merchants join, this market segment is expected to be further developed in the future.

Market Drivers of AR/VR Content and Services Market in China

- *Mature hardware technology.* With the maturity of technology, significant improvement in hardware equipment and decrease in its price, quality content and hardware equipment will form a virtuous cycle. On the one hand, quality content will promote the sales of equipment. On the other hand, the increase of hardware devices penetration rate will encourage content developers to increase investment. The virtuous cycle is expected to accelerate the AR/VR market expansion.
- *Infrastructure Optimization.* The high bandwidth and low latency characteristics of 5G and Wi-Fi 6 are the driving forces for AR/VR content and services. 5G and Wi-Fi 6 are expected to enrich the usage scenarios including ultra-high-definition streaming media. Meanwhile, wireless devices significantly improve the user experience and further support the application of devices in outdoor scenarios. Cloud AR/VR services based on cloud computing can effectively solve the problem posted by expensive and heavy devices, as well as promote the popularization of AR/VR and development of AR/VR content.
- *Industry upgrading needs.* Implementation of AR/VR in the business-end represented by AR/VR education content is accelerating. In K12, higher education, vocational training and various training scenarios, AR/VR content can enrich the teaching methods. Meanwhile, as the commercialization of 5G featuring low latency, large capacity and high speed continues to advance, the application of AR/VR solutions are expected to grow in industries with high standards for stable content images and low latency transmission, such as healthcare (i.e. clinical assistance, remote therapy) and manufacturing (i.e. inspection and repair, assembly) industries. In addition, industries such as culture and tourism, entertainment and e-commerce industries, are also focusing increasingly on the application of AR/VR solutions due to the demand to strengthen the experience of end users and reconstitute offline experience.
- *Consumption upgrading needs.* The growth of consumer base provided market prospects and business opportunities for AR/VR content, forming a virtuous cycle between hardware improvement and content quality improvement. The implementation of 5G will also strongly support improvement of consumers' AR/VR experience, development of AR/VR applications and strong demand for gaming, video watching and live-streaming.
- *Continued capital investment.* In 2020, the sales volume of AR/VR equipment increased significantly due to the COVID-19 pandemic. The development of the production lines of components and finished products in each phase of the industry chain were expanded.

INDUSTRY OVERVIEW

Continuous breakthroughs in key technologies also drove the expansion of market demand. R&D projects and capital investment in AR/VR industry increased significantly which drove rapid growth.

- *Driven by favorable policies.* The AR/VR content and services market is expected to continue to develop under favorable policies. The Guiding Catalogue on Adjusting the Industry Structures (2019 Version) released by the National Development and Reform Commission of the PRC in April 2019, included VR and AR in the “encouraged” industries. The Opinions on Deepening “Internet + Tourism” and Promoting High-quality Tourism Development released in November 2020 proposed to focus on technology empowerment, promote the application and popularization of information technology such as 5G, big data, cloud computing, Internet of Things, artificial intelligence, virtual reality, augmented reality and blockchain. On March 24, 2020, the Ministry of Industry and Information of the PRC issued the Notice Concerning Promoting the Accelerated Development of 5G* (《工業和信息化部關於推動5G加快發展的通知》), which stated that the country should stimulate the consumption of new kinds of information such as 5G and AR/VR. In June 2020, the Ministry of Education of the PRC released the Specification for Digital Campus of Vocational Schools* (《職業院校數字校園規範》), which proposed to permeate education and teaching, internship and training, school management, cultural transmission, campus life and social services and other aspects with digitization, networking and intelligence, based on the application of various information technologies such as the Internet, big data, cloud computing, Internet of Things, artificial intelligence, 5G, AR/VR and blockchain.

Future Trends of AR/VR Content and Services Market in China

- *Growing penetration of industry scenarios application.* With the maturity of AR/VR technology and the popularization of equipment, AR/VR is likely to become a more popular form of content presentation. More application will be explored and developed in different industries such as construction, mining and other industries, promoting the diversification and scale of the AR/VR content and services market.
- *Popularization of providing AR/VR content and services based on SaaS platform.* The current AR/VR content and services delivery model is mainly divided into two types: customization and standardization. Customization is a more mainstream delivery model. As the market accumulated sufficient content elements or functional modules, standardized services are expected to be developed to serve customers more efficiently, such as a complete solution based on SaaS platforms. At the same time, the big data and artificial intelligence technology will also promote digital and intelligent upgrades of SaaS platform-based solutions, making more accurate adaptations to customer needs. With the empowerment of the SaaS model, AR/VR content and services providers can improve their delivery efficiency. Compared to the customization model that requires personalized services for customers, the SaaS model can accumulate a large number of standardized functions and materials while reducing the time spent on redeveloping and recreating functions and materials, and thus improving efficiency.
- *Importance of one-stop service capability.* The AR/VR content and services market will gradually develop into a mature industry chain. In addition to AR/VR content production, enterprises also need more integration services such as creative strategy before production and channel promotion post production. In the future, the capability to offer one-stop service will become an important criteria of enterprises in AR/VR industry.

INDUSTRY OVERVIEW

Entry Barriers and Core Success Factors of AR/VR Content and Services Market in China

AR/VR content production technology and experience

- AR/VR content production is the core capabilities for AR/VR content and services providers. AR/VR content production technology and experience are the key market entry barriers for AR/VR content and services providers.
- Technical capabilities are the key to enhancing AR/VR content and services providers' service reputation and establish long-term customer relationships. At the same time, the continuous strengthening and accumulation of service experience can help AR/VR content and services providers understand and respond to customer needs more efficiently.

Ability to understand industry demand

- Demand side of AR/VR content includes a wide range of industries with strong demand differentiation. At the same time, demand side of AR/VR services in different industries may have different production directions and placement preferences. As a result, the ability to understand vertical industry demand becomes one of the market entry barriers for AR/VR content and services providers.
- Better understanding of industry demands will help AR/VR content and services providers to improve their understanding of customer needs and response efficiency. At the same time, the ability to understand the needs of multiple industries will help AR/VR content and services providers expand their services to customers in different industries.

Media platforms and accumulation of placement data

- The core business model of AR/VR services providers is AR/VR marketing and e-commerce. One of the entry barriers for AR/VR services providers is the relationship with media platforms and their agents which undertake AR/VR marketing placement and possess accurate data that can help the placement of AR/VR marketing content.
- Expanding the number of media platforms can help AR/VR services providers to meet different marketing demand on different platforms. At the same time, the application of AR/VR marketing placement data can improve AR/VR services providers' ability to accurately place their AR/VR marketing content, which in turn can enhance customer satisfaction and stickiness.

Competitive Landscape of AR/VR Content and Services Market in China

With over 5,000 competitors in the market, the AR/VR content and services market in China is highly fragmented. As the largest AR/VR content and services provider in terms of revenue in 2021, our Group only had a market share of 2.6%.

INDUSTRY OVERVIEW

Market share of AR/VR content and services provider (By Revenue) in China, 2021

Ranking	Company	Year of Establishment	Principal Business	Background	AR/VR Content and Services Revenue ⁽¹⁾ in 2021 (in RMB100 million)	Market Share in 2021 (by revenue)
1	Our Group	2008	<ul style="list-style-type: none"> AR/VR marketing services AR/VR Content AR/VR SaaS 	A provider in China of the AR/VR content and services market.	5.6	2.6%
2	Shanghai Graphic Digital Information Co., Ltd.* (上海曼恒數位技術股份有限公司)	2007	<ul style="list-style-type: none"> VR Content 3D Printing 	A NEEQ listed VR content provider (in education, high-end manufacturing, medical and military industries) and 3D printing services provider in China.	~2.0	0.9%
3	Beijing Runnier Network Technology Co., Ltd.* (北京潤尼爾網絡科技有限公司)	2007	<ul style="list-style-type: none"> AR/VR Content 	A non-publicly listed AR/VR content provider focused on the education industry in China.	~1.8	0.8%
4	Beijing Growlib Science and Technology Co., Ltd.* (北京格如靈科技有限公司)	2016	<ul style="list-style-type: none"> AR/VR Content 	A non-publicly listed AR/VR content provider focused on the education industry in China.	~1.0	0.5%
5	Shenzhen Jimuyida Technology Co., Ltd.* (深圳積木易搭科技技術有限公司)	2015	<ul style="list-style-type: none"> AR/VR Content 	A non-publicly listed VR content provider (in exhibition, household, culture and tourism and other industries) in China.	~0.7	0.3%

Note:

- (1) Revenue comprises revenue of AR/VR services and AR/VR content, among which, the AR/VR services include AR/VR marketing services and AR/VR e-commerce services, and the AR/VR content include entertainment content, educational content, live-streaming content and others.

Source: iResearch

The AR/VR services market is an increasingly important sub-market of the AR/VR content and services market. The market share in terms of revenue of the AR/VR services market in the AR/VR content and services market was 12.8% in 2021 and is expected to grow and reach 18.4% in 2026. Our Group is a major player in the AR/VR services market in China with a market share of 13.5% in terms of revenue in 2021.

INDUSTRY OVERVIEW

Market share of AR/VR services provider (By Revenue) in China, 2021

Ranking	Company	Year of Establishment	Principal Business	Background	AR/VR services revenue ⁽¹⁾ in 2021 (in RMB100 million)	Market share in 2021 (by revenue)
1	Our Group	2008	<ul style="list-style-type: none"> AR/VR marketing services AR/VR content AR/VR SaaS 	A provider in China of the AR/VR content and services market.	3.76	13.5%
2	It Said Information Technology Services (Shanghai) Co., Ltd.* (它說信息科技服務(上海)有限公司)	2016	<ul style="list-style-type: none"> AR/VR services AR/VR SaaS 	A non-publicly listed AR/VR marketing solution services provider in China.	~0.26	0.9%
3	Visionstar Information Technology (Shanghai) Co., Ltd.* (視辰信息科技(上海)有限公司)	2012	<ul style="list-style-type: none"> AR marketing 	A non-publicly listed AR marketing solution services provider in China.	~0.15	0.5%
4	Shenzhen Yunmei Network Technology Co., Ltd.* (深圳雲美網絡科技有限公司)	2016	<ul style="list-style-type: none"> AR/VR marketing Internet marketing tools development IP operation 	A non-publicly listed AR/VR marketing services provider in China, with business in social media marketing strategy operation, Internet marketing tools development and IP operation.	~0.10	0.4%
5	Xiamen Ant Agents Network Technology Co., Ltd.* (螞蟻特工(廈門)科技有限公司)	2016	<ul style="list-style-type: none"> AR marketing 	A non-publicly listed AR marketing services provider in China.	~0.06	0.2%

Note:

- (1) Revenue comprises revenue of AR/VR marketing services and e-commerce services, among which, the e-commerce services include AR/VR cloud store and AR/VR display services in the e-commerce platform.

Source: iResearch

For further details on the competitive advantages of our Group, see the paragraph headed “Business — Our Competitive Advantages” in this prospectus.

OVERVIEW OF METAVERSE ECOSYSTEM

Introduction of Metaverse Ecosystem

Metaverse generally refers to a virtual universe with a sustainable existence based on the real world through AR/VR and other technologies.

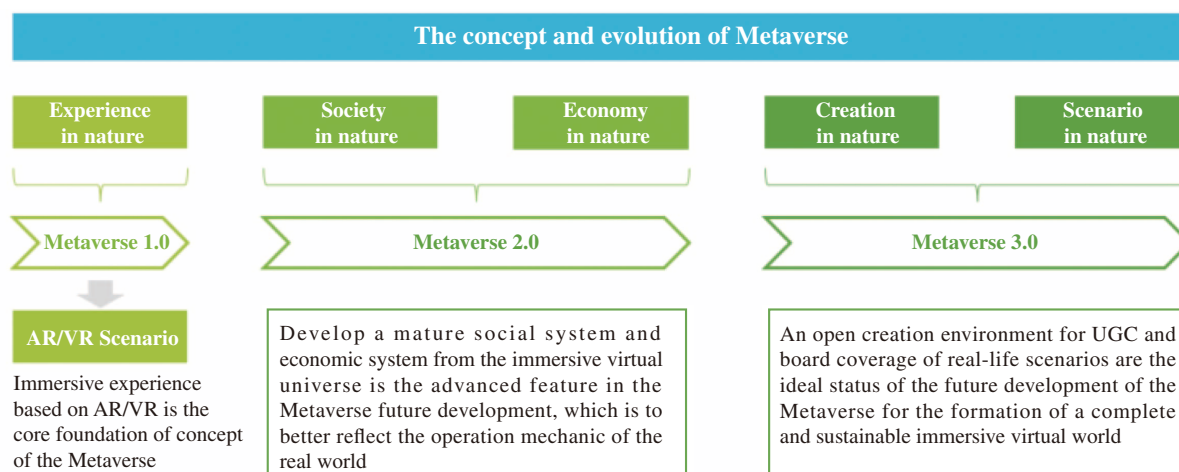
Metaverse is a constantly developing concept and industry. iResearch is of the view that the evolution of the Metaverse will go through three stages. At present, Metaverse is mainly at the 1.0 concept version stage, i.e. the experience attribute stage. All AR/VR scenarios can be regarded as the Metaverse of the current era.

At Metaverse 1.0 stage, the concept of Metaverse gradually turns into reality with the introduction of participants, capital and resources. Metaverse 1.0 stage is a stage of infrastructure development including upgrade of AR/VR hardware and development of AR/VR, 5G and aPaaS technologies and initial Metaverse platforms are being built. The core foundation of Metaverse is the immersive experience based on AR/VR technology. With the development of technology and business models, the virtual world under the Metaverse concept will continue to evolve. Metaverse 1.0 is the embryo stage of the Metaverse.

INDUSTRY OVERVIEW

When Metaverse develops into stage 2.0, large scale Metaverse platforms will emerge which will attract a large number of new users. Metaverse applications will be used in different settings. In order to satisfy the needs of users, there will be a high demand for new AR/VR content to support the expansion of Metaverse. It is expected that social systems and economic systems will be formed reflecting the operation mechanic of the real world. Metaverse 2.0 is the growth stage of the Metaverse.

At Metaverse 3.0 stage, the Metaverse ecosystem and major systems of virtual world will become mature. Cross platform and cross industry integration will take place. New usage and commercial models of the Metaverse will emerge. Popular AR/VR development tools will empower AR/VR creation by everyone. The virtual world is expected to form an open and creative environment for all developers, individuals and organizations to create new content. The virtual world is expected to have a broad coverage of real-life scenarios and can reflect all aspects of the users' lives and form a complete and sustainable immersive world. Metaverse 3.0 is the advanced stage of the Metaverse.



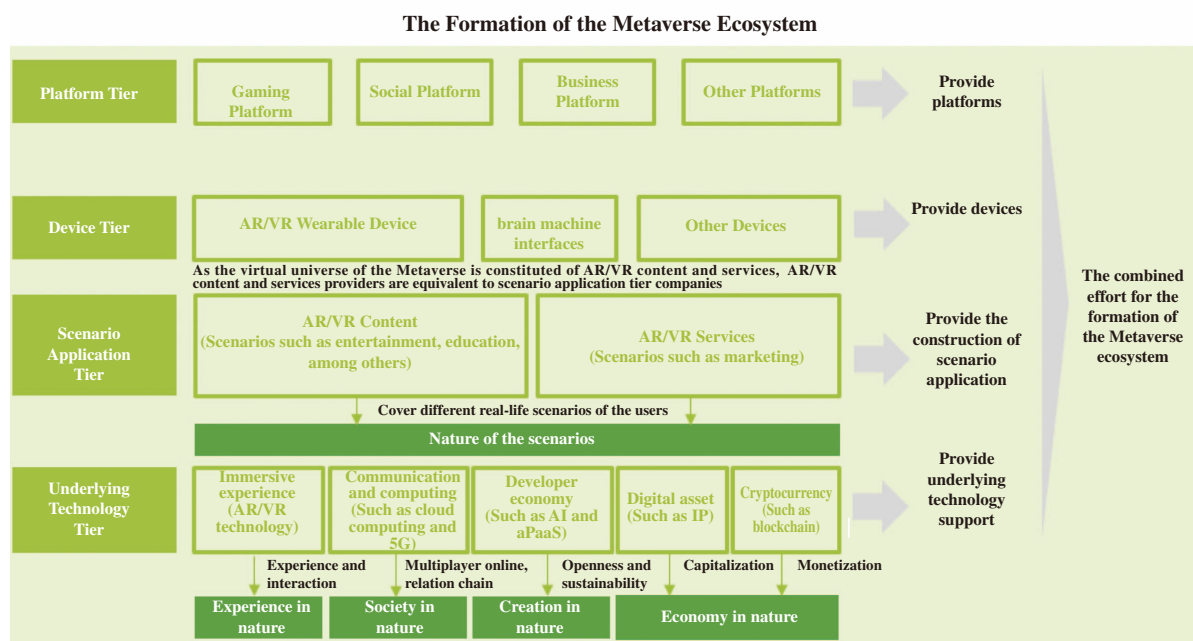
Metaverse Industry Chain Analysis

As shown in the chart below, the Metaverse ecosystem comprises four tiers, (i) the platform tier, (ii) the device tier, (iii) the scenario application tier and (iv) the underlying technology tier. All four tiers together make the Metaverse ecosystem. The platform tier comprises companies that directly operate the virtual universe of the Metaverse and provide services to end customers through platforms. The device tier comprises companies that provide devices for Metaverse experiences. The scenario application tier comprises service providers for business customers that construct the virtual universe of the Metaverse. As the virtual universe of the Metaverse is constituted of AR/VR content and services, AR/VR content and services providers are equivalent to scenario application tier companies. The underlying technology tier comprises companies that provide technology support for relevant parties in the Metaverse industry, for example the AI technology service providers.

AR/VR, as core applications for constructing the virtual world, is a pre-requisite and also an entry barrier in the development of the Metaverse. AR refers to augmented reality technology, which combines real scenes with virtual content and make them appear simultaneously in the same space to enable the AR users to actively interact with the AR content. The core features of AR are

INDUSTRY OVERVIEW

interactive and realistic. VR refers to virtual reality technology, which creates a virtual simulation scene for the users to be immersed in. Users can also experience and actively interact with the VR scene. The core features of VR are interactive, immersive and realistic.



There are currently no laws or regulations specifically governing Metaverse. There are, however, regulations governing the time for which minors may spend playing online games which may be applicable to gaming platforms of the Metaverse but irrelevant to other platforms or tiers. As we do not currently operate gaming platforms or plan to operate gaming platforms in the foreseeable future, the regulations governing the time for which minors may spend playing online games are not applicable to us.

Market Drivers of the Metaverse ecosystem

- Underlying technologies of Metaverse continue to improve under favorable policies.* A number of national policies have explicitly mentioned plans and support for strengthening 5G, cloud computing, AR/VR, blockchain, artificial intelligence and other technology industries. All of these are key underlying technologies that drive the development of the Metaverse industry. For example, the MIIT promulgated the Notice concerning Promoting the Accelerated Development of 5G* (《工业和信息化部關於推動5G加快發展的通知》), which stated that China should boost promotion of new information consumption of 5G+AR/VR. The 14th Five-Year Plan and 2035 Long-Range Objectives approved by the Fourth Plenary Session of the 13th National People's Congress, also mentioned the need to cultivate and grow emerging digital industries such as artificial intelligence, big data, blockchain, cloud computing, and network security.
- Development and upgrades of equipment.* On the one hand, with the increasing popularity of AR/VR equipment, more users will have the opportunity to experience AR/VR in the future, which will promote the penetration of the Metaverse concept at the user's end. On the other

INDUSTRY OVERVIEW

hand, with the exploration of technologies in brain-computer interface and other cutting-edge equipment, the interactive experience between users and the Metaverse will also be further enriched and enhanced in the future and thus drive the maturation of the Metaverse virtual world.

- *AR/VR content accumulation and sustainable creation method.* As the application of AR/VR technology widens in various industries and scenarios, a vast amount of AR/VR content that provides materials for constructing the Metaverse virtual world is being accumulated. In addition, as aPaaS and other technologies gradually mature and UGC content creation gain further popularity among users, a sustainable and open creation environment for all is likely to be formed to jointly promote the construction of the Metaverse ecosystem.
- *Imaginative commercial space.* The Metaverse industry can support a wide range of business models, such as marketing and advertising, commissions on sales, payment for content, user rewards, membership fee and digital asset trading.
- *Changing content consumption demand.* In 2021, Chinese Internet users' penetration rate exceeded 70%, and digital content has a large consumption demand base. Users' consumption habits for content are also constantly changing from text, pictures, videos to AR/VR. The virtual world content under the Metaverse ecosystem allows more realistic experiences and richer interactions, which is also more attractive to users.
- *The users' habits in the virtual world.* Under the impact of the COVID-19 pandemic, a large number of offline activities have been transferred to online and users have more practical experience in living in and working through the Internet. The ultimate form of Metaverse is to project almost all aspects of real life into the virtual world. Therefore, users forming habits of transporting their daily activities online will provide a good base for the popularization of the Metaverse. In the post pandemic era, users are expected to have more demands for entertainment activities. The demand for AR/VR content and services cultivated during the outbreak of the pandemic is expected to continue to grow and therefore facilitate the application and development of the AR/VR content and services industry.
- *The establishment of industry associations.* The establishment of Metaverse related industry associations also promotes the development of the Metaverse industry. On October 15, 2021, the establishment of Metaverse Industry Committee (CMCA-MCC), a subordinate of China Mobile Communications Federation (CMCA), was approved. On November 11, 2021, the opening ceremony of the Metaverse Industry Committee of the China Mobile Communications Federation was officially held. CMCA-MCC is committed to promoting the healthy and sustainable development of the Metaverse industry.

Future Trends of Metaverse ecosystem

- *The concept of Metaverse driving the Internet industry into a new development stage.* The Internet industry has gradually developed from the PC era, to the mobile era and to the present stage. The Metaverse is expected to be the next development phase of the Internet, which is represented by the online world migrating into a virtual world with immersive and interactive experiences similar to those of the physical world. According to a declaration made by the Metaverse Industry Committee on November 11, 2021, Metaverse is the third generation of the Internet. As a result, more development opportunities and prospects are likely to be brought into the Internet industry.

INDUSTRY OVERVIEW

- *More opportunities for monetization and innovative business models.* The Metaverse can support almost all existing business models in the Internet industry with additional opportunities for development and expansion. At the same time, the Metaverse virtual world is a projection and extension of the real world. In 2005, Premier Li Keqiang first proposed the concept of “Internet plus traditional industries” (“**Internet Plus**”). Internet Plus refers to the use of information and communication technologies together with Internet platforms to deepen the integration of the Internet industry and traditional industries. The concept of Internet Plus is expected to be upgraded to a “Metaverse Plus” in the future, penetrating more conventional industries, developing more innovative business models and stimulating the commercial vitality of the Metaverse. The concept of “Metaverse Plus” is similar to the concept of “Internet Plus”, which refers to the integration of Metaverse technology and business model with traditional industries in order to promote the development and innovation of these industries and bring along more business opportunities, such as “Metaverse Plus Game” and “Metaverse Plus Education”.
- *Creating more job opportunities.* On the one hand, the construction of the Metaverse itself requires a lot of resources investment and creation accumulation, so that the Metaverse industry is expected to create more job opportunities. On the other hand, the Metaverse is a virtual world parallel to the real world, which is expected to have a stable social and economic system in the future. As a result, a large number of jobs for digital avatars may be created in the virtual world, even forming a sophisticated employment system.
- *More real-life scenarios enter the Metaverse virtual world.* With the growing maturity of the Metaverse construction and popularity among users in the future, it is possible that more daily life scenarios, not limited to entertainment and games, will enter the Metaverse virtual world and users’ reliance on the Metaverse will increase.

REGULATORY OVERVIEW

We are subject to a variety of PRC laws, rules and regulations affecting many aspects of our business. This section summarizes the principal PRC laws, rules and regulations that we believe are relevant to our business and operations.

LAWS AND REGULATIONS RELATING TO FOREIGN INVESTMENT

Foreign Investment

Some of our subsidiaries in the PRC were foreign-invested companies after the completion of the Reorganization.

Investment activities in the PRC by foreign investors are principally governed by the Negative List and the Catalog. On December 27, 2021, the MOFCOM and the NDRC jointly promulgated the Negative List, which came into effect on January 1, 2022 and repealed the Special Administrative Measures (Negative List) for Foreign Investment Access (Edition 2020). The Negative List sets out special administrative measures in respect of the access of foreign investments in a centralized manner, and the Encouraging List which came into effect on January 27, 2021, sets out the encouraged industries for foreign investment. According to the Negative List, foreign share ratio for value-add telecommunications services (except for e-commerce, domestic multi-party communications, storage-forwarding and call centres) shall not exceed 50% and foreign investment in radio and television program production and operation (including imported business) companies is prohibited.

Foreign-Invested Enterprises

On December 29, 1993, the SCNPC promulgated the *PRC Company Law* (《中華人民共和國公司法》), or the Company Law, which was last amended on October 26, 2018. The Company Law regulates the establishment, operation and management of corporate entities in China and classifies companies into limited liability companies and limited companies by shares.

According to the *Foreign Investment Law of the PRC* (《中華人民共和國外商投資法》) promulgated by the NPC on March 15, 2019 and came into effect on January 1, 2020, the state shall implement the management systems of pre-establishment national treatment and negative list for foreign investment, and shall give national treatment to foreign investment beyond the negative list. Simultaneously, *Sino-foreign Equity Joint Ventures of the PRC* (《中華人民共和國中外合資經營企業法》), the *Wholly Foreign-owned Enterprises Law of the PRC* (《中華人民共和國外資企業法》) and *Sino-foreign Cooperative Joint Ventures of the PRC* (《中華人民共和國中外合作經營企業法》) have been repealed since January 1, 2020.

REGULATORY OVERVIEW

In December 2019, the State Council promulgated the *Regulations on Implementing the Foreign Investment Law of the PRC* (《中華人民共和國外商投資法實施條例》), which came into effect in January 2020. After the *Regulations on Implementing the Foreign Investment Law of the PRC* came into effect, the *Regulation on Implementing the Sino-Foreign Equity Joint Venture of the PRC* (《中華人民共和國中外合資經營企業法實施條例》), *Provisional Regulations on the Duration of Sino-Foreign Equity Joint Venture* (《中外合資經營企業合營期限暫行規定》), the *Regulations on Implementing the Wholly Foreign-owned Enterprise Law of the PRC* (《中華人民共和國外資企業法實施細則》) and the *Regulations on Implementing the Sino-foreign Cooperative Joint Venture of the PRC* (《中華人民共和國中外合作經營企業法實施細則》) have been repealed simultaneously.

On December 30, 2019, the Ministry of Commerce and the SAMR promulgated the *Measures for the Reporting of Foreign Investment Information* (《外商投資信息報告辦法》), which came into effect on January 1, 2020 and replaced the *Interim Measures for the Recordation Administration of the Incorporation and Change of Foreign-Invested Enterprises* (《外商投資企業設立及變更備案管理暫行辦法》), for carrying out investment activities directly or indirectly in the PRC, the foreign investors or foreign-invested enterprises shall submit investment information to the commerce authorities pursuant to these measures.

LAWS AND REGULATIONS RELATING TO VATS

The business of Ophyer Technology involves the provision of telecommunication and information services through our marketing business conducted online under our AR/VR marketing services business segment, the process of which involves Ophyer Technology, working with media platforms and their agents, developing and customizing the AR/VR interactive content via the Wanjie Smart Marketing Platform and placing advertisements based on such content. In the process, AR/VR interactive content is generated using modules and programs in Ophyer Technology's web servers in which marketing content is stored and accessed through links, and Ophyer Technology charges fees from customers based on the performance effect of the marketing effort. Such process falls within the scope of VATS. Ophyer Technology, Hupo Jinyuan, Shenzhen Huachuang and Beijing Xingshi each holds an ICP License for the provision of Internet contents, and Ophyer Technology also holds a SP License for the provision of information services. Hence, we are subject to the PRC regulations relating to VATS.

The *Telecommunications Regulations of the PRC* (《中華人民共和國電信條例》) or the Telecommunications Regulations, which came into effect on September 25, 2000 and was last amended on February 6, 2016, provide a regulatory framework for telecommunications service providers in China. The Telecommunications Regulations require telecommunications service providers to obtain an operating license prior to the commencement of their operations. The Telecommunications Regulations categorize telecommunications businesses into basic

REGULATORY OVERVIEW

telecommunications businesses and VATS businesses. According to the *Catalog of Telecommunications Business* (《電信業務分類目錄》), which was attached to the Telecommunications Regulations and was last amended by the MIIT on June 6, 2019, information service provided via fixed network, mobile network and Internet fall within the scope of VATS.

The *Administrative Measures on Internet Information Services* (《互聯網信息服務管理辦法》), or the Internet Measures, which took effect on September 25, 2000 and was last amended on January 8, 2011, set out guidelines on the provision of Internet information services. The Internet Measures classified Internet information services into commercial Internet information services and non-commercial Internet information services, and a commercial operator of Internet content provision services must obtain an ICP License for the provision of Internet information services from the appropriate telecommunications authorities.

The *Administrative Measures for Telecommunications Businesses Operating Licensing* (《電信業務經營許可管理辦法》), which took effect on September 1, 2017, provide that a commercial operator of VATS services must first obtain an ICP License from MIIT or its provincial level counterparts. In addition, in the first quarter of every year while the operator is holding the license, the operator must report information such as business performance and service quality to the issuing authorities.

Foreign direct investment in telecommunications companies in China is governed by the 2016 Regulations, which was promulgated by the State Council on December 11, 2001 and was last amended on February 6, 2016. The 2016 Regulations require foreign-invested VATS enterprises in China to be established as Sino-foreign equity joint ventures, and the foreign investors may acquire up to 50% of the equity interests of such enterprise. In addition, the main foreign investor who invests in a foreign-invested VATS enterprise operating the VATS business in China must demonstrate a good track record and overseas experience in operating a VATS business (the “**VATS Qualification Requirements**”); the main foreign investor is defined as the investor who makes the largest contribution among all foreign investors and has a share of 30% or more of the total amount invested by all foreign investors. Moreover, foreign investors that meet these requirements must obtain approvals from the MIIT and the MOFCOM, or their authorized local counterparts, which retain considerable discretion in granting approvals, for the commencement of that investor of value-added telecommunication business in China.

On March 29, 2022, the State Council promulgated the 2022 Decision that took effect from May 1, 2022 made significant changes to the 2016 Regulations. The 2022 Decision repealed the VATS Qualification Requirements. As such, the restrictions imposed by the VATS Qualification Requirements are no longer applicable to foreign investors, and foreign investors are allowed to

REGULATORY OVERVIEW

hold no more than 50% of the equity interests of a company providing VATS. However, as of the Latest Practicable Date, no applicable PRC laws, regulations or rules had provided clear guidance or interpretation about the 2022 Decision.

According to the *Circular of Ministry of Information Industry on Strengthening the Administration of Foreign Investment in Value-Added Telecommunication Services* (《信息產業部關於加強外商投資經營增值電信業務管理的通知》), which came into effect on July 13, 2006, a foreign investor that invests in telecommunications services within the territory of China shall, in strict accordance with the Provisions, apply for establishing a foreign-funded telecommunication enterprise and a corresponding license for telecommunications operation. A foreign investor that fails to go through the said procedures subject to relevant laws may not make any investment in the telecommunications business within the territory of China.

LAWS AND REGULATIONS RELATING TO PRODUCTION AND OPERATION OF RADIO AND TELEVISION PROGRAMS

Apart from its principal business in promotion services, the business of Zhongrunxing involves the production of animation videos, which falls within the scope of “production and operation of radio and television programs” services. Zhongrunxing holds a radio and television programs production business license (the “**TPPB License**”) for such business issued by the Beijing Municipal Radio and Television Bureau (the “**BRTB**”).

Pursuant to the *Regulations on Broadcasting and Television Administration* (《廣播電視管理條例》) promulgated by the State Council on August 11, 1997 which became effective on September 1, 1997, and last amended on November 29, 2020, radio and television programs may only be produced by radio stations, television stations and television production and operation entities established with the approval of the Radio and Television Administrative Department (廣播電視行政部門) of the People’s Government above the provincial level. Radio stations and television stations are not allowed to broadcast radio and television programs produced by entities which have not obtained the Radio and TV Programs Production and Operation License (廣播電視節目製作經營許可證).

According to the *Administrative Provisions for the Production and Operation of Radio and Television Programs* (《廣播電視節目製作經營管理規定》) promulgated by NRTA on July 19, 2004, effective on August 20, 2004 and amended on August 28, 2015 and October 29, 2020, the Radio and TV Programs Production and Operation License shall be obtained for engaging in production and operation of radio and television program. Entities holding such license shall conduct their business within the permitted scope as provided in their license. TV drama series are

REGULATORY OVERVIEW

allowed to be produced by organizations holding the Radio and TV Programs Production and Operation License, provided that the License for TV Drama Series Production is obtained in advance separately.

LAWS AND REGULATIONS RELATING TO MARKETING BUSINESS

The *Advertising Law of the PRC* (《中華人民共和國廣告法》), or the Advertising Law, which took effect on February 1, 1995 and was last amended on April 29, 2021, regulates contents of advertisements, codes of conduct for advertising customers, and the supervision and administration of the advertising industry. It also stipulates that advertising customers, advertising operators, and advertisement publishers shall abide by the Advertising Law and other laws and regulations, be honest and trustworthy, and compete in a fair manner in advertising business. According to the Advertising Law, if advertising operators know or should have known the content of the advertisements is false or deceptive but still provide advertising design, production and agency services in connection with the advertisement, they might be subject to penalties, including confiscation of revenue and fines, and the competent PRC authority may suspend or revoke their business licenses.

The *Interim Measures for the Administration of Internet Advertising* (《互聯網廣告管理暫行辦法》), or the Interim Measures on Internet Advertising, which took effect on September 1, 2016, regulate advertising activities conducted via the Internet. According to the Interim Measures on Internet Advertising, all Internet advertisements are required to be marked with the word “advertisement” so that viewers can easily identify them as such, and advertisements published or distributed via the Internet shall not interfere with users’ normal use of the Internet. For example, advertisements published on web page pop-up windows or in other forms shall be clearly marked with a “close” sign to ensure “one-click closure”. No entity or individual may induce users to click on the contents of an advertisement through deception. An Internet advertisement publisher or advertising operator shall establish and maintain an acceptable registration, examination and file management system for its advertising customers; examine, verify and record the identity information of each advertiser. The Interim Measures on Internet Advertising also require Internet advertisement publishers and advertising operators to verify related supporting documents, check the contents of the advertisement and prohibit them from designing, producing, providing services or publishing any advertisement if the content and supporting documents do not match each other or the documentary evidence thereof is insufficient.

According to the *Interim Measures on Internet Advertising*, where Internet advertisements are unidentifiable, relevant regulatory authorities may order the online advertising service providers to rectify within a certain time limit and/or impose a fine of no more than RMB100,000. A person who at the time of making use of the Internet to publish advertisements, fails to provide a prominently marked “close” button to ensure “one-click closure”, shall be ordered by the

REGULATORY OVERVIEW

administration for market regulation to make the correction, and a fine ranging from RMB5,000 to RMB30,000 shall be imposed on the advertiser. A person who lures users to click on the content of advertisements by fraudulent means, or without permission, attach advertisements or advertising links in the emails sent by users, shall be ordered to make corrections and shall be imposed a fine of not less than RMB10,000 but not more than RMB30,000.

On March 15, 2021, the SAMR published the *Supervision and Administration of Online Trading* (《網絡交易監督管理辦法》) (the “**Online Trading Measures**”), which came into effect on May 1, 2021. The Online Trading Measures shall apply to the business activities of selling goods or providing services through information networks such as the Internet within the territory of PRC as well as the supervision and administration thereof by the administrations for market regulation. According to the Online Trading Measures, online transaction operators may not engage in business operations without a license or permit in violation of any law, regulation, or decision of the State Council. Business operators providing online transaction operators with publicity and promotion, payment and settlement, logistics and delivery, network access, server hosting, virtual hosts, cloud services, website, and web design services, etc. (the “**other service providers**”) shall promptly assist the administrations for market regulation in investigating and punishing illegal online transaction activities according to the law and provide the relevant data and information held by them. Where the administration for market regulation discovers illegal activities of online transaction operators and requires online transaction platform operators and other service providers to take measures to stop such activities under the law, the online transaction platform operators and other service providers shall cooperate.

LAWS AND REGULATIONS RELATING TO INFORMATION SECURITY AND PRIVACY PROTECTION

We provide AR/VR marketing services, AR/VR SaaS and related services to our customers through the Internet. We store some necessary information relating to our customers. Hence, we are subject to the PRC regulations relating to information security and personal privacy protection.

In November 2016, SCNPC promulgated the *PRC Cybersecurity Law* (《中華人民共和國網絡安全法》), or the Cybersecurity Law, which became effective on June 1, 2017. The Cybersecurity Law requires that network operators, including Internet information services providers, take technical measures and other necessary measures in accordance with applicable laws and regulations and the compulsory requirements of the national and industrial standards to safeguard the safe and stable operation of its networks. We are subject to such requirements as we provide certain Internet services through our AR/VR SaaS platform. The Cybersecurity Law further requires Internet information services providers to formulate contingency plans for network security incidents, report to the competent departments immediately upon the occurrence of any incident endangering cybersecurity, and take corresponding remedial measures.

REGULATORY OVERVIEW

Internet information services providers are also required to maintain the integrity, confidentiality, and availability of network data. The Cybersecurity Law reaffirms the basic principles and requirements specified in other existing laws and regulations on personal data protection, such as the requirements on the collection, use, processing, storage, and disclosure of personal data, and Internet information services providers being required to take technical and other necessary measures to ensure the security of the personal information they have collected and prevent the personal information from being divulged, damaged, or lost. Any violation of the Cybersecurity Law may subject an Internet information services provider to warnings, fines, confiscation of illegal gains, revocation of licenses, cancelation of filings, shutdown of websites, or criminal liabilities.

The *Decision on Maintenance of Cybersecurity* (《關於維護互聯網安全的決定》) enacted by the SCNPC on December 28, 2000, as amended in August 2009, stipulates, among others, that the following activities conducted via Internet are subject to criminal penalty if they constitute crimes under PRC law: (i) hacking into a computer or system of strategic importance; (ii) intentionally inventing and spreading destructive programs such as computer viruses to attack computer systems and communications networks, thus damaging computer systems and the communications networks; (iii) disconnecting computer networks or communications services without authorization in violation of laws and regulations; (iv) divulging state secrets; (v) spreading false commercial information; or (vi) infringing intellectual property rights via Internet.

The *Provisions on Technological Measures for Cybersecurity Protection* (《互聯網安全保護技術措施規定》) promulgated on December 13, 2005 by the Ministry of Public Security requires Internet service providers and organizations that use interconnection services to implement technical measures for cybersecurity protection from any threat to network security, such as computer viruses and network attacks and breaches. All Internet access service providers are required to take measures to keep a record of and preserve user registration information. Under these measures, VATS license holders must regularly update information security and content control systems for their websites and must also report any public dissemination of prohibited content to local public security authorities. If a VATS license holder violates these measures, the Ministry of Public Security and the local security bureaus may revoke its operating license and shut down its websites.

Pursuant to the *Decision on Strengthening the Protection of Online Information* (《關於加強網絡信息保護的決定》) promulgated by the SCNPC in 2012 and the *Provisions on the Protection of Telecommunication and Internet User Personal Information* (《電信和互聯網用戶個人信息保護規定》) promulgated by the MIIT in 2013 and the Cybersecurity Law, any collection and use of a user's personal information must be consensual, legal, reasonable, and necessary, and must be limited to specified purposes, methods, and scopes. An Internet information service provider must also keep such information strictly confidential, and is further prohibited from divulging,

REGULATORY OVERVIEW

tampering with, or destroying any such information, or selling or providing such information to other parties. An Internet information service provider is required to take technical and other measures to prevent the collected personal information from any unauthorized disclosure, damage, or loss. In case of any actual or potential leakage of user personal information, Internet information service providers must take immediate remedial measures and make timely report to the relevant regulatory authorities and inform users in accordance with the regulations. Any violation of these laws and regulations may subject the Internet information service provider to warnings, fines, confiscation of illegal gains, revocation of licenses, cancelation of filings, shutdown of websites, or even criminal liabilities.

Pursuant to the *Notice of the Supreme People's Court, the Supreme People's Procuratorate, and the Ministry of Public Security on Lawfully Punishing Criminal Activities Infringing upon the Personal Information of Citizens* (《最高人民法院、最高人民檢察院、公安部關於依法懲處侵害公民個人信息犯罪活動的通知》) promulgated in 2013 and the *Interpretation of the Supreme People's Court and the Supreme People's Procuratorate on Several Issues Regarding Legal Application in Criminal Cases Infringing upon the Personal Information of Citizens* (《最高人民法院、最高人民檢察院關於辦理侵犯公民個人信息刑事案件適用法律若干問題的解釋》) promulgated on May 8, 2017 and effective on June 1, 2017, the following activities may constitute the crime of infringing upon a citizen's personal information: (i) providing a citizen's personal information to specified persons or releasing a citizen's personal information online or through other methods in violation of relevant regulations and rules; (ii) providing legitimately collected information relating to a citizen to others without such citizen's consent (unless the information is processed, not traceable to a specific person, and not recoverable); (iii) collecting a citizen's personal information in violation of applicable regulations and rules when performing a duty or providing services; or (iv) collecting a citizen's personal information by purchasing, accepting, or exchanging such information in violation of applicable regulations and rules.

On December 28, 2021, the CAC and 12 other PRC regulatory authorities jointly revised and promulgated the Revised CAC Measures, which came into effect on February 15, 2022 and repealed the *Measures for Cybersecurity Review* (《網絡安全審查辦法》) promulgated on April 13, 2020. The Revised CAC Measures provide that a critical information infrastructure operator purchasing network products and services, and platform operators carrying out data processing activities, which affect or may affect national security, shall apply for cybersecurity review and that a platform operator with more than one million users' personal information aiming to list abroad (國外上市) must apply for cybersecurity review. Article 10 of the Revised CAC Measures further provides that during the cybersecurity review, CAC shall focus on the assessment of national security risk factors of the relevant object or situation: (i) risks of illegal control, interference or destruction of critical information infrastructure brought about by the use of products and services; (ii) the harm caused by supply interruption of products and services to the business continuity of critical information infrastructure; (iii) security, openness, transparency and

REGULATORY OVERVIEW

diversity of sources of products and services, reliability of supply channels, and risks of supply interruption due to political, diplomatic, trade or other factors; (iv) information on compliance with Chinese laws, administrative regulations and departmental rules by product and service providers; (v) risks of theft, disclosure, damage, illegal use or cross-border transfer of core data, important data or large amounts of personal information; (vi) risks of influence, control or malicious use of critical information infrastructure, core data, important data or large amounts of personal information by foreign governments after overseas listing; and (vii) other factors that may endanger critical information infrastructure security and national data security.

On August 20, 2021, the SCNPC promulgated the *PRC Personal Information Protection Law* (《中華人民共和國個人信息保護法》), which came into effect on November 1, 2021. The PRC Personal Information Protection Law integrates the scattered rules with respect to personal information rights and privacy protection and aims at protecting the personal information rights and interests, regulating the processing of personal information and promoting the reasonable use of personal information. Personal information, as defined in the PRC Personal Information Protection Law, refers to information related to identified or identifiable natural persons and recorded by electronic or other means, but excluding the anonymized information. The PRC Personal Information Protection Law provides the circumstances under which a personal information processor could process personal information, which include but are not limited to, where the consent of the individual concerned is obtained and where it is necessary for the conclusion or performance of a contract to which the individual is a contractual party. It also stipulates certain specific rules with respect to the obligations of a personal information processor, such as to inform the purpose and method of processing to the individuals, and the obligation of the third party who has access to the personal information by way of co-processing or delegation.

On June 10, 2021, the SCNPC promulgated the *PRC Data Security Law* (《中華人民共和國數據安全法》), which took effect in September 2021. The Data Security Law introduces a data classification and hierarchical protection system based on the materiality of data in economic and social development, as well as the degree of harm it will cause to national security, public interests, or legitimate rights and interests of persons or entities when such data is tampered with, destroyed, divulged, or illegally acquired or used. It also provides for a security review procedure for the data activities which may affect national security.

On November 14, 2021, the CAC publicly solicited opinions on the Draft Data Security Regulations. According to the Draft Data Security Regulations, data processors shall, in accordance with relevant state provisions, apply for cyber security review when carrying out the following activities: (1) the 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, which affects or may affect national security; (2) data processors that handle

REGULATORY OVERVIEW

the personal information of more than one million people intending to be listed abroad; (3) the data processor intending to be listed in Hong Kong, which affects or may affect national security; (4) other data processing activities that affect or may affect national security.

However, the Draft Data Security Regulations provide no further explanation or interpretation for “affects or may affect national security”. In addition, the Draft Data Security Regulations also regulate other specific requirements in respect of the data processing activities conducted by data processors through Internet in the view of personal data protection, important data safety, data cross-border safety management and obligations of Internet platform operators. For example, the processors of important data or data processors who are listed overseas shall carry out data security assessments by themselves or by entrusting data security service agencies every year, and submit the previous year’s data security assessment report to the cyberspace administration at the districted city level before January 31 of each year. As of the Latest Practicable Date, the Draft Data Security Regulations had not come into effect and the public comment period of the Draft Data Security Regulations had ended on December 13, 2021.

On July 7, 2022, the CAC promulgated the *Measures on Security Assessment of Cross-border Data Transfer* 《數據出境安全評估辦法》, which took effect on September 1, 2022. These measures outline the requirements and procedures for security assessments on export of important data or personal information collected within the territory of mainland China. Furthermore, these Measures provide that the security assessment shall combine pre-assessment and continuous supervision, and security self-assessment and security assessment to prevent data export security risks. More specifically, these Measures specify that any of the circumstances below will require security assessment before any cross-border data transfer out of China can take place: (i) the data transferred out of China is important data; (ii) the data processor is a critical information infrastructure operator or a data processor that processes personal information of more than 1 million individuals; (iii) the data processor processes personal information of more than 100,000 individuals, or sensitive personal information of more than 10,000 individuals since January 1 of the previous year; or (iv) under other circumstances as stipulated by the CAC. The data processing entities need to carry out a self-assessment before they can apply through provincial CACs for a security assessment to be carried out and approved by the CAC at the central level.

LAWS AND REGULATIONS RELATING TO OVERSEAS LISTING

On July 6, 2021, the General Office of the State Council of the PRC together with the General Office of the Communist Party of China Central Committee jointly promulgated the Securities Activities Opinions. The Securities Activities Opinions call for the enhanced supervision of overseas listed China-based companies, propose to revise the relevant regulations governing the overseas issuance and listing of shares by such companies and clarify the responsibilities of competent domestic industry regulators and government authorities. The Securities Activities

REGULATORY OVERVIEW

Opinions also call for improving laws and regulations on data security, cross-border data transfer and management of confidential information for overseas-listed China-based companies (中概股公司). We will be supervised by the Securities Activities Opinions after our Listing as an overseas-listed China-based company. However, the Securities Activities Opinions primarily consist of high-level guidance and detailed implementation measures have yet to be promulgated. Therefore, it remains uncertain how detailed implementation measures will be promulgated by relevant authorities and how these implementation measures will apply to our Group's business.

On December 24, 2021, the CSRC issued the *Provisions of the State Council on the Administration of Overseas Securities Offering and Listing by Domestic Companies (Draft for Comments)* (《國務院關於境內企業境外發行證券和上市的管理規定(草案徵求意見稿)》) (the “**Draft Administration Provisions**”) and the *Administrative Measures for the Filing of Overseas Securities Offering and Listing by Domestic Companies (Draft for Comments)* (《境內企業境外發行證券和上市備案管理辦法(徵求意見稿)》) (the “**Draft Measures**”). The *Draft Administration Provisions* and the *Draft Measures* were open for public comments until January 23, 2022.

The Draft Administration Provisions, if adopted in their current form, will comprehensively improve and reform the existing regulatory regime for overseas offering and listing of PRC domestic companies' securities, and will regulate both direct and indirect overseas offering and listing of PRC domestic companies' securities by setting out a filing-based regulatory regime. According to the Draft Administration Provisions, PRC domestic companies that seek to offer and list securities in overseas markets, either in direct or indirect means, are required to fulfill the filing procedure with the CSRC and provide the relevant information. Overseas offerings and listings that are prohibited by specific laws and regulations, constitute threat to or endanger national security, involve material ownership disputes, the PRC domestic companies, their controlling shareholder or actual controller involving in certain criminal offence, or directors, supervisors and senior management of the issuer involving in certain criminal offence or administrative penalties, among other circumstances, are explicitly forbidden. As implementation rules, the Draft Overseas Listing Filing Measures specify the filing requirements and procedures.

The Draft Measures provide that if an issuer meets the following criteria, the overseas securities offering and listing conducted by such issuer will be deemed as an indirect overseas offering by PRC domestic companies: (i) any of the revenue, net profit, total assets or net assets of the domestic companies accounted for more than 50% of the respective audited revenue, net profit, total assets or net assets of the issuer within the latest financial year; (ii) a majority of the officers responsible for management of the issuer are PRC citizens or have their usual place of residence in the PRC, or the issuer's main place of operation is within the PRC. It is unclear based on the Draft Measures whether either or both of the above criteria would need to be satisfied. Where an issuer makes an application for initial public offering to competent overseas regulators, the issuer must

REGULATORY OVERVIEW

submit filing documents to the CSRC within three working days after such application is submitted. The Draft Measures also require subsequent report to the CSRC on material events, such as material change in principal business and change of control.

As of the Latest Practicable Date, the public consultation on the Draft Administration Provisions and the Draft Measures had ended, but the final version and effective date of such regulations are not published and therefore are subject to change with substantial uncertainty.

LAWS AND REGULATIONS RELATING TO INTELLECTUAL PROPERTIES

Copyright

China is a signatory to some major international conventions on protection of copyright and became a member of the Berne Convention for the Protection of Literary and Artistic Works in October 1992, the Universal Copyright Convention in October 1992, and the Agreement on Trade-Related Aspects of Intellectual Property Rights upon its accession to the World Trade Organization in December 2001. The *Copyright Law of the PRC* (《中華人民共和國著作權法》), or the PRC Copyright Law, which was promulgated by the SCNPC on September 7, 1990, as amended on October 27, 2001 and last amended on November 11, 2020, and came into effective on June 1, 2021, provides that Chinese citizens, legal persons, or other organizations shall, whether published or not, enjoy copyright in their works, which include, among others, works of literature, art, natural science, social science, engineering technology and computer software. The purpose of the PRC Copyright Law is to encourage the creation and dissemination of works which is beneficial to the construction of socialist spiritual civilization and material civilization and promote the development and prosperity of Chinese culture. Unless otherwise stipulated in the PRC Copyright Law, anyone that wishes to use another's work shall conclude a licensing contract with the copyright owner of the work. A licensing contract shall include: the type(s) of right(s) being licensed; whether the license is exclusive or non-exclusive; the geographic scope and term of the license; the amount and method of remuneration; liability for breach of contract; and other details which the parties consider necessary. Where the right licensed is an exclusive licensing right, the contracts shall be made in writing, except in cases where works are to be published by newspapers and periodicals according to the *Implementing Regulations of the Copyright Law of the PRC* (《中華人民共和國著作權法實施條例》), which was promulgated by the State Council on August 2, 2002, last amended on January 30, 2013 and became effective on March 1, 2013. Any person, who concludes an exclusive licensing contract or assignment contract with a copyright owner, may submit, for filing, the contractual documents to the copyright administrative department.

REGULATORY OVERVIEW

According to the *Regulation on Computer Software Protection* (《計算機軟件保護條例》), which took effect on October 1, 1991 and was last amended on January 30, 2013 and subsequently came into effect on March 1, 2013, the software copyright shall exist from the date on which its development has been completed, and software copyright owner may register with the software registration institution recognized by the copyright administration department of the State Council. On February 20, 2002, the National Copyright Administration of the PRC promulgated the *Measures on Computer Software Copyright Registration* (《計算機軟件著作權登記辦法》), which outlines the operational procedures for registration of software copyright, as well as registration of the license for the software copyright and software copyright transfer contracts. The Copyright Protection Center of the PRC (中國版權保護中心) is mandated as the software registration agency under the regulations.

Provisions of the Supreme People's Court 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 (《最高人民法院關於審理侵害信息網絡傳播權民事糾紛案件適用法律若干問題的規定》), which became effective on January 1, 2013 and last amended on December 29, 2020, provide that any network user or network service supplier provides without permission works, performance, sound or visual recordings to which the right holder has information network transmission right, the people's courts shall hold that said user or service supplier has infringed upon the information network transmission right, unless otherwise provided for by laws and administrative regulations.

Patents

According to the *Patent Law of the PRC* (《中華人民共和國專利法》), or the PRC Patent Law, promulgated by the SCNPC on March 12, 1984, and last revised on October 17, 2020 and came into effect on June 1, 2021, and the Rules for the *Implementation of the Patent Law of the PRC* (《中華人民共和國專利法實施細則》) promulgated by the State Council on June 15, 2001, last amended on January 9, 2010 and became effective on February 1, 2010, the patent administrative department under the State Council is responsible for administration of patent-related work nationwide. The patent administration departments of province or autonomous regions or municipal governments are responsible for administering patents within their respective jurisdictions. The PRC Patent Law and its implementation rules divide patents into three types, “invention”, “utility model” and “design”. Invention patents are valid for 20 years, while design patents are valid for 15 years and utility model patents are valid for 10 years, from the date of application. The patentee shall pay an annual fee commencing from the year in which the patent right is granted. The PRC patent system adopts a “first come, first file” principle, which means that where more than one person files a patent application for the same invention, a patent will be

REGULATORY OVERVIEW

granted to the person who files the application first. A third-party player must obtain consent or a proper license from the patent owner to use the patent. Otherwise, the use constitutes an infringement of the patent rights.

Trademarks

Trademarks are protected by the *Trademark Law of the PRC* (《中華人民共和國商標法》), or the PRC Trademark Law which was promulgated by SCNPC on August 23, 1982 and subsequently amended on February 22, 1993, October 27, 2001 and August 30, 2013, respectively, and was last amended on April 23, 2019, and came into force on November 1, 2019, as well as the *Implementation Regulation of the Trademark Law of the PRC* (《中華人民共和國商標法實施條例》) adopted by the State Council on August 3, 2002, subsequently amended on April 29, 2014, and became effective on May 1, 2014. In China, registered trademarks include commodity trademarks, service trademarks, collective marks and certification marks.

The Trademark Office (商標局) under the National Intellectual Property Administration (國家知識產權局) handles trademark registrations and grants a term of 10 years from the date of registration to registered trademarks. Trademarks are renewable every 10 years where a registered trademark needs to be used after the expiration of its validity term. A registration renewal application shall be filed within 12 months prior to the expiration of the term. A trademark registrant may license its registered trademark to another party by entering into a trademark license contract. Trademark license agreements must be filed with the Trademark Office for record. The licensor shall supervise the quality of the commodities on which the trademark is used and the licensee shall guarantee the quality of such commodities, the licensee shall display the name of the licensor and the place of origin on the commodities that bear the licensed registered trademark. As to trademarks, the PRC Trademark Law has adopted a “first come, first file” principle with respect to trademark registration. Where trademark for which a registration application has been made is identical or similar to another trademark which 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 may not prejudice the existing right first obtained by others, nor may any person register in advance a trademark that has already been used by another party and has already gained a “sufficient degree of reputation” through such party’s use.

Domain Names

In accordance with the *Measures for the Administration of Internet Domain Names* (《互聯網域名管理辦法》) which was promulgated by the Ministry of Information Industry on August 24, 2017 and came into effect on November 1, 2017, the Ministry of Information Industry is responsible for supervision and administration of domain name services in the PRC.

REGULATORY OVERVIEW

Communication administrative bureaus at provincial levels shall conduct supervision and administration of the domain name services within their respective administrative jurisdictions. Domain name registration services shall, in principle, be subject to the principle of “first apply, first register”. A domain name registrar shall, in the process of providing domain name registration services, ask the applicant for which the registration is made to provide authentic, accurate and complete identity information on the holder of the domain name and other domain name registration related information.

LAWS AND REGULATIONS RELATING TO FOREIGN EXCHANGE AND OVERSEAS INVESTMENT

Foreign exchange

On January 29, 1996, the State Council promulgated the *Administrative Regulations on Foreign Exchange of the PRC* (《中華人民共和國外匯管理條例》) which became effective on April 1, 1996 and was amended on January 14, 1997 and August 5, 2008. Foreign exchange payments under current account items shall, pursuant to the administrative provisions of the foreign exchange control department of the State Council on payments of foreign currencies and purchase of foreign currencies, be made using self-owned foreign currency or foreign currency purchased from financial institutions engaging in conversion and sale of foreign currencies by presenting the valid document. Domestic entities and domestic individuals making overseas direct investments or engaging in issuance and trading of overseas securities and derivatives shall process registration formalities pursuant to the provisions of the foreign exchange control department of the State Council.

On November 19, 2012, the State Administration of Foreign Exchange, or the SAFE, promulgated the *Circular of Further Improving and Adjusting Foreign Exchange Administration Policies on Foreign Direct Investment* (《國家外匯管理局關於進一步改進和調整直接投資外匯管理政策的通知》), or the SAFE Circular 59, which came into effect on December 17, 2012 and was revised on May 4, 2015, October 10, 2018 and partially abolished on December 30, 2019. The SAFE Circular 59 aims to simplify the foreign exchange procedure and promote the facilitation of investment and trade. According to the SAFE Circular 59, the opening of various special purpose foreign exchange accounts, such as pre-establishment expenses accounts, foreign exchange capital accounts and guarantee accounts, the reinvestment of RMB proceeds derived by foreign investors in the PRC, and remittance of foreign exchange profits and dividends by a foreign-invested enterprise to its foreign shareholders no longer require the approval or verification of SAFE, as well as multiple capital accounts for the same entity may be opened in different provinces.

REGULATORY OVERVIEW

Later, the SAFE promulgated the *Circular on Further Simplifying and Improving Foreign Exchange Administration Policies in Respect of Direct Investment* (《關於進一步簡化和改進直接投資外匯管理政策的通知》) in February 2015, which was partially abolished in December 2019 and prescribed that the bank instead of SAFE can directly handle the foreign exchange registration and approval under foreign direct investment while SAFE and its branches indirectly supervise the foreign exchange registration and approval under foreign direct investment through the bank.

On May 10, 2013, the SAFE promulgated the *Administrative Provisions on Foreign Exchange in Domestic Direct Investment by Foreign Investors* (《外國投資者境內直接投資外匯管理規定》), or the SAFE Circular 21, which became effective on May 13, 2013, amended on October 10, 2018 and partially abolished on December 30, 2019. The SAFE Circular 21 specifies that the administration by SAFE or its local branches over direct investment by foreign investors in the PRC must be conducted by way of registration and banks must process foreign exchange business relating to the direct investment in the PRC based on the registration information provided by SAFE and its branches.

According to the *Notice of the State Administration of Foreign Exchange on Reforming the Management Mode of Foreign Exchange Capital Settlement of Foreign Investment Enterprises* (《國家外匯管理局關於改革外商投資企業外匯資本金結匯管理方式的通知》), or the SAFE Circular 19 promulgated on March 30, 2015, became effective on June 1, 2015 and partially abolished on December 30, 2019, foreign-invested enterprises could settle their foreign exchange capital on a discretionary basis according to the actual needs of their business operations. Foreign-invested enterprises are prohibited to use the foreign exchange capital settled in RMB (a) for any expenditures beyond the business scope of the foreign-invested enterprises or forbidden by laws and regulations; (b) for direct or indirect securities investment; (c) to directly or indirectly provide entrusted loans (unless permitted in the business scope), repay loans between enterprises (including advances by third parties) or repay RMB bank loans that have been on-lent to a third party; and (d) to purchase real estates not for self-use purposes (save for real estate enterprises).

On June 9, 2016, SAFE promulgated the *Notice of the State Administration of Foreign Exchange on Reforming and Standardizing the Foreign Exchange Settlement Management Policy of Capital Account* (《國家外匯管理局關於改革和規範資本項目結匯管理政策的通知》), or the SAFE Circular 16, which came into effect on the same day. The SAFE Circular 16 provides that discretionary foreign exchange settlement applies to foreign exchange capital, foreign debt offering proceeds and remitted foreign listing proceeds, and the corresponding RMB capital converted from foreign exchange may be used to extend loans to related parties or repay inter-company loans (including advances by third parties). However, there remain substantial uncertainties with respect to SAFE Circular 16's interpretation and implementation in practice.

REGULATORY OVERVIEW

On October 23, 2019, SAFE promulgated the *Notice on Further Facilitating Cross-Board Trade and Investment* (《國家外匯管理局關於進一步促進跨境貿易投資便利化的通知》), which became effective on the same date (except for Article 8.2, which became effective on January 1, 2020). The notice cancelled restrictions on domestic equity investments made with capital funds by non-investing foreign-funded enterprises. In addition, restrictions on the use of funds for foreign exchange settlement of domestic accounts for the realization of assets have been removed and restrictions on the use and foreign exchange settlement of foreign investors' security deposits have been relaxed. Eligible enterprises in the pilot area are also allowed to use revenue under capital accounts, such as capital funds, foreign debts and overseas listing revenue for domestic payments without providing materials to the bank in advance for authenticity verification on an item-by-item basis, while the use of funds should be true, in compliance with applicable rules and conforming to the current capital revenue management regulations.

Pursuant to the *Circular of the SAFE on Relevant Issues concerning Foreign Exchange Administration of Overseas Investment and Financing and Round-tripping Investments Conducted by Domestic Residents through Overseas Special Purpose Vehicles* (《國家外匯管理局關於境內居民通過特殊目的公司境外投融資及返程投資外匯管理有關問題的通知》), or the Circular 37, which was promulgated by the SAFE and became effective on July 4, 2014, a PRC resident shall register with the local SAFE branch before he or she contributes assets or equity interests in an overseas special purpose vehicle (the “**Overseas SPV**”) that is directly established or controlled by the PRC resident for the purpose of conducting investment or financing. Following the initial registration, if there is any change in the basic information of the Overseas SPV, such as the PRC resident individual shareholder, name, term of business, or a significant change such as increase or reduction of capital contribution, equity transfer or exchange by the PRC resident individual, merger or division, foreign exchange registration change formalities shall be promptly completed with the foreign exchange bureau.

Pursuant to the *Circular of the SAFE on Further Simplifying and Improving the Direct Investment Related Foreign Exchange Administration Policies* (《國家外匯管理局關於進一步簡化和改進直接投資外匯管理政策的通知》), or the Circular 13, which was promulgated on February 13, 2015, became effective on June 1, 2015 and was partially abolished on December 30, 2019, the above mentioned registration will be handled directly by the bank that has obtained the financial institution identification codes promulgated by the foreign exchange regulatory authorities and has opened the capital account information system at the foreign exchange regulatory authorities in the place where it is located and the foreign exchange regulatory authorities shall perform indirect regulation over the direct investment related foreign exchange registration via banks.

REGULATORY OVERVIEW

Overseas direct investment

The *Administrative Measures for Overseas Investment Management* (《境外投資管理辦法》) was promulgated by the MOFCOM on March 16, 2009 and was last amended on September 6, 2014. As defined by the Administrative Measures for Overseas Investment Management, overseas investment means that the enterprises legally incorporated in the PRC own the non-financial enterprises or obtain the ownership, control and operation management rights of the existing non-financial enterprises in foreign countries through incorporation, merger and acquisition and other means. If the overseas investments involve sensitive countries and regions or sensitive industries, they shall be subject to the approval of competent authorities. For other overseas investments, they shall be subject to filing administration. Local enterprises shall be filed with the provincial commercial administration authorities where they are located. The qualified enterprises will be put into record and granted with an overseas investment certificate for enterprise by the relevant provincial commercial administration authorities.

On December 26, 2017, NDRC promulgated the *Administrative Measures for the Overseas Investment of Enterprises* (《企業境外投資管理辦法》), which took effect on March 1, 2018. Under the measures, sensitive overseas investment projects carried out by PRC enterprises either directly or through overseas enterprises under their control shall be approved by NDRC, and non-sensitive overseas investment projects directly carried out by PRC enterprises shall be filed with NDRC or its local branch at provincial level. In the case of large-amount non-sensitive overseas investment projects with the investment amount of USD300 million or above carried out by PRC enterprises through the overseas enterprises under their control, such PRC enterprises shall, before the implementation of the projects, submit a report describing the details about such large-amount non-sensitive projects to NDRC. Where the PRC resident natural persons make overseas investments through overseas enterprises under their control, the measures shall apply mutatis mutandis. Subsequently on January 31, 2018, NDRC promulgated the *Catalogue of Sensitive Overseas Investment Industry (2018 Version)* (《境外投資敏感行業目錄(2018年版)》) effective from March 1, 2018 under which enterprises shall be restricted from making overseas investments in certain industries including without limitation real estate and hotel.

LAWS AND REGULATIONS RELATING TO DIVIDEND DISTRIBUTION

The principal law governing dividend distributions by our PRC subsidiaries is the PRC Company Law, while the dividend distribution by wholly foreign-owned enterprises, which is applicable to Beijing Flowing Cloud, is further governed by Foreign Investment Law and its implementation regulations. According to the above laws and regulations, Chinese companies (including foreign-owned enterprises) may only pay dividends based on the accumulated profits calculated in accordance with PRC accounting principles.

REGULATORY OVERVIEW

In addition, in accordance with the PRC Company Law, when a company distributes their after-tax profits for a given year, they shall allocate 10% of its after-tax profits to their statutory common reserve. Companies shall no longer be required to make allocations to their statutory common reserve once the aggregate amount of such reserve exceeds 50% of their registered capital unless the provisions of laws regarding foreign investment otherwise provided. If a company's statutory common reserve is insufficient to make up its losses of the previous years, such losses shall be made up from the profit for the current year prior to making allocations to the statutory common reserve pursuant to the preceding paragraph. Such reserved cash cannot be distributed as cash dividends.

LAWS AND REGULATIONS RELATING TO LEASE OF PROPERTY

Pursuant to the *Administrative Measures for Commodity Housing Tenancy* (《商品房屋租賃管理辦法》) promulgated by the Ministry of Housing and Urban-Rural Development (住房和城鄉建設部) on December 1, 2010 and came into effect on February 1, 2011, the parties to a housing tenancy shall go through the housing tenancy registration formalities with the competent construction (real-estate) departments of the municipalities directly under the central government, cities and counties where the housing is located within 30 days after the housing tenancy contract is signed. Where the content of the housing tenancy registration is altered, or the housing tenancy contract is renewed or terminated, the parties concerned shall, within 30 days, go through housing tenancy registration amendment, renewal or termination formalities at the department which originally registered the housing tenancy. The competent construction (real estate) departments of the people's governments of the municipalities directly under the central government of the PRC, cities and counties shall urge those who do not register on time hereof to make corrections within a specified time limit, and shall impose a fine of no more than RMB1,000 on individuals who fail to make corrections within the specified time limit, and a fine between RMB1,000 and RMB10,000 on institutions which fail to make corrections within the specified time limit.

LAWS AND REGULATIONS RELATING TO EMPLOYMENT AND SOCIAL SECURITIES

Employment

The major PRC laws and regulations that govern employment relationship are the *Labor Law of the PRC* (《中華人民共和國勞動法》), or the Labor Law, promulgated by the SCNPC on July 5, 1994, came into effect on January 1, 1995 and revised on August 27, 2009 and December 29, 2018, the *Labor Contract Law of the PRC* (《中華人民共和國勞動合同法》), or the Labor Contract Law, which was promulgated by the SCNPC on June 29, 2007 and became effective on January 1, 2008, and then amended on December 28, 2012, and the *Implementation Rules of the Labor Contract Law of the PRC* (《中華人民共和國勞動合同法實施條例》), which was promulgated by the State Council on September 18, 2008 and came into effect on the same day. According to the

REGULATORY OVERVIEW

aforementioned laws and regulations, labor relationships between employers and employees must be executed in written form. The laws and regulations above impose stringent requirements on the employers in relation to entering into fixed-term employment contracts, hiring of temporary employees and dismissal of employees. As prescribed under the laws and regulations, employers shall ensure its employees have the right to rest and the right to receive wages no lower than the local minimum wages. Employers must establish a system for labor safety and sanitation that strictly abide by state standards and provide relevant education to its employees. Violations of the Labor Contract Law and the Labor Law may result in the imposition of fines and other administrative liabilities and/or incur criminal liabilities in the case of serious violations.

Social Securities

According to the *Social Insurance Law of PRC* (《中華人民共和國社會保險法》), which was promulgated by the SCNPC on October 28, 2010 and came into effect on July 1, 2011 and was revised on December 29, 2018, enterprises and institutions in the PRC shall provide their employees with welfare schemes covering basic pension insurance, unemployment insurance, maternity insurance, work-related injury insurance and basic medical insurance. The employer shall apply to the local social insurance agency for social insurance registration within 30 days from the date of its formation. And it shall, within 30 days from the date of employment, apply to the social insurance agency for social insurance registration for the employee. Any employer who violates the regulations above shall be ordered to make correction within a prescribed time limit; if the employer fails to rectify within the time limit, the employer and its directly liable person will be fined. If the employer fails to pay social insurance contributions on time and in full, the social insurance agency shall place an order with the employer demanding full payment within a prescribed period, and an overdue payment fine at the rate of 0.5‰ shall be levied as of the date of indebtedness. When the payment is not made at the expiry of the prescribed period, a fine above the overdue amount but less than its triple shall be demanded by the authoritative administrative department. Meanwhile, the *Interim Regulation on the Collection and Payment of Social Insurance Premiums* (《社會保險費徵繳暫行條例》) (promulgated by the State Council on January 22, 1999 and came into effect on the same day and was recently revised on March 24, 2019) prescribes the details concerning the social securities.

Apart from the general provisions about social insurance, specific provisions on various types of insurance are set out in the *Regulation on Work-Related Injury Insurance* (《工傷保險條例》) (promulgated by the State Council on April 27, 2003, came into effect on January 1, 2004 and revised on December 20, 2010), the *Regulations on Unemployment Insurance* (《失業保險條例》) (promulgated by the State Council on January 22, 1999 and came into effect on the same day), the *Trial Measures on Employee Maternity Insurance of Enterprises* (《企業職工生育保險試行辦法》)

REGULATORY OVERVIEW

(promulgated by the Ministry of Labor on December 14, 1994 and came into effect on January 1, 1995). Enterprises subject to these regulations shall provide their employees with the corresponding insurance.

Housing Provident Fund

According to the *Regulation Concerning the Administration of Housing Provident Fund* (《住房公積金管理條例》), implemented since April 3, 1999 and amended on March 24, 2002 and March 24, 2019, any newly established entity shall make deposit registration at the housing accumulation fund management center within 30 days as of its establishment. After that, the entity shall open a housing accumulation fund account for its employees in an entrusted bank. Within 30 days as of the date an employee is recruited, the entity shall make deposit registration at the housing accumulation fund management center and seal up the employee's housing accumulation fund account in the bank mentioned above within 30 days from termination of the employment relationship.

Any entity that fails to make deposit registration of the housing accumulation fund or fails to open a housing accumulation fund account for its employees shall be ordered to complete the relevant procedures within a prescribed time limit. Any entity failing to complete the relevant procedure within the time limit will be fined RMB10,000 to RMB50,000. Any entity that fails to make payment of housing provident fund within the time limit or has shortfall in payment of housing provident fund will be ordered to make the payment or make up the shortfall within the prescribed time limit, otherwise, the housing provident management center is entitled to apply for compulsory enforcement with the People's Court.

LAWS AND REGULATIONS RELATING TO TAXATION

Enterprise Income Tax

The *Enterprise Income Tax Law of the PRC* (《中華人民共和國企業所得稅法》), or the EIT Law, promulgated by the NPC on March 16, 2007, came into effect on January 1, 2008 and amended on February 24, 2017 and December 29, 2018, as well as the *Implementation Rules of the EIT Law* (《中華人民共和國企業所得稅法實施條例》), or the EIT Implementation Rules, promulgated by the State Council on December 6, 2007, came into force on January 1, 2008 and amended on April 23, 2019, are the principal law and regulation governing enterprise income tax in the PRC. According to the EIT Law and the EIT Implementation Rules, enterprises are classified into resident enterprises and non-resident enterprises. Resident enterprises refer to enterprises that are legally established in the PRC, or are established under foreign laws but whose actual management bodies are located in the PRC. Non-resident enterprises refer to enterprises that are legally established under foreign laws and have set up institutions or sites in the PRC but with

REGULATORY OVERVIEW

no actual management body in the PRC, or enterprises that have not set up institutions or sites in the PRC but have derived income from the PRC. A uniform income tax rate of 25% applies to all resident enterprises and non-resident enterprises that have set up institutions or sites in the PRC to the extent that such income is derived from their set-up institutions or sites in the PRC, or such income is obtained outside the PRC but has an actual connection with the set-up institutions or sites. Non-resident enterprises that have not set up institutions or sites in the PRC or have set up institutions or sites but the incomes obtained by the said enterprises have no actual connection with the set-up institutions or sites, shall pay enterprise income tax at the rate of 10% in relation to their income sourced from the PRC.

Value-Added Tax

The major PRC law and regulation governing value-added tax are the *Interim Regulations on Value-added Tax of the PRC* (《中華人民共和國增值稅暫行條例》) (promulgated on December 13, 1993 by the State Council, came into effect on January 1, 1994, and revised on November 10, 2008, February 6, 2016 and November 19, 2017), as well as the *Implementation Rules for the Interim Regulations on Value-added Tax of the PRC* (《中華人民共和國增值稅暫行條例實施細則》) (promulgated on December 25, 1993 by the Ministry of Finance, or the MOF, came into effect on the same day and revised on December 15, 2008 and October 28, 2011), any entities and individuals engaged in the sale of goods, supply of processing, repair and replacement services, and import of goods within the territory of the PRC are taxpayers of VAT and shall pay the VAT in accordance with the law and regulation. Unless otherwise required, the rate of VAT shall be 17%. Any entities and individuals engaged in the sale of services and intangible assets shall pay VAT at the rate of 6%, unless otherwise stipulated in Article 2 of the Interim Regulations on Value-added Tax of the PRC.

On March 23, 2016, the MOF and the State Administration of Taxation, or the SAT promulgated the *Notice of the Ministry of Finance and the State Administration of Taxation on Full Launch of the Pilot Scheme on Levying Value-added Tax in Place of Business Tax* (《財政部、國家稅務總局關於全面推開營業稅改徵增值稅試點的通知》), which was amended on July 11, 2017 and on March 20, 2019, under which the rate of VAT shall be (1) 11% for providing transportation, postal, basic telecommunication, construction services, leasing of immovables, sale of immovables and transfer of land use right; (2) 17% for providing leasing services of tangible movables; (3) zero for cross-border taxable acts of entities or individuals in China, and the specific scope shall be separately stipulated by the MOF and the SAT; and (4) 6% for other items.

REGULATORY OVERVIEW

With the VAT reforms in the PRC, the rate of VAT has been changed several times. The MOF and SAT promulgated the *Notice of on Adjusting VAT Rates* (《關於調整增值稅稅率的通知》) on April 4, 2018 to adjust the tax rates of 17% and 11% applicable to any taxpayer's VAT taxable sale or import of goods to 16% and 10%, respectively, this adjustment became effect on May 1, 2018. Subsequently, the MOF, the SAT and the General Administration of Customs jointly promulgated the *Announcement on Relevant Policies for Deepening the VAT Reform* (《關於深化增值稅改革有關政策的公告》) on March 20, 2019 to make a further adjustment that the tax rate of 16% applicable to the VAT taxable sale or import of goods shall be adjusted to 13%, and the tax rate of 10% applicable thereto shall be adjusted to 9%.

Stamp Duty

According to the *Provisional Regulations of the PRC on Stamp Duty* (《中華人民共和國印花稅暫行條例》) promulgated on August 6, 1988 and became effective on October 1, 1988 and revised on January 8, 2011 and the *Detailed Rules for Implementation of the Provisional Regulations of the People's Republic of China on Stamp Duty* (《中華人民共和國印花稅暫行條例施行細則》) promulgated on September 29, 1988, became effective on October 1, 1988 and was revised on November 5, 2004, all units and individuals which conclude or receive any of the following documents in the PRC shall pay stamp duty: documents issued for purchase and sale transactions, process contracting, construction project contracting, property leasing, commodity transportation, storage and custody of goods, loans, property insurance, technology contracts and other documents of a contractual nature; documents of transfer of property title; books of accounts for business; documentation of rights or licences; other documents determined by the Ministry of Finance to be taxable.

Pursuant to the Table of Items and Rates of Stamp Duty, stamp duty for purchase and sale contract and technology contract shall be paid at 0.03% of the purchase and sale amount and the contract amount, respectively; stamp duty for survey and design contract of construction project shall be paid at 0.05% of the charged amount; stamp duty for construction and installation contracting contract shall be paid at 0.03% of the contracting amount; stamp duty for loan contract shall be paid at 0.005% of the loan amount; and in respect of property transfer, the contracting parties shall pay stamp duty at 0.05% of the contract price of the property transferred; stamp duty for property leasing shall be paid at 0.1% of the lease amount.

The Stamp Duty Law of the PRC (《中華人民共和國印花稅法》), or the Stamp Duty Law was promulgated by the SCNPC on June 10, 2021 and came into effect on July 1, 2022. According to the Schedule of Stamp Duty Items and Tax Rates Stamp attached to the Stamp Duty Law, stamp duty for processing contract shall be paid at 0.03% of the reward; and stamp duty for the transfer documents for trademark exclusive rights, work rights, patent rights, and proprietary technology use rights shall be paid at 0.03% of the contract price.

REGULATORY OVERVIEW

Urban Maintenance and Construction Tax as well as Education Surtax

In accordance with the *Provisional Provisions on the Collection of Educational Surtax* (《徵收教育費附加的暫行規定》), which was last amended on January 8, 2011, all entities and individuals who pay consumption tax, VAT and business tax shall also be required to pay educational surtax. The educational surtax rate is 3% of the amount of VAT, business tax and consumption tax actually paid by each entity or individual, and the educational surtax shall be paid simultaneously with VAT, business tax and consumption tax. In accordance with the *Urban Maintenance and Construction Tax Law of the PRC* (《中華人民共和國城市維護建設稅法》) which was promulgated on August 11, 2020 and came into effect on September 1, 2021, VAT and business tax shall also be required to pay urban maintenance and construction tax. Payment of urban maintenance and construction tax shall be based on the consumption tax, VAT and business tax which a taxpayer actually pays and shall be made simultaneously when the latter are paid. The rates of urban maintenance and construction tax shall be 7%, 5% and 1% for a taxpayer in a city, in a county town or town and in a place other than a city, county town or town respectively.

Dividend Withholding Tax

The Enterprise Income Tax Law provides that since January 1, 2008, an income tax rate of 10% will normally be applicable to dividends declared to non-PRC resident investors that do not have an establishment or place of business in China, or that have such establishment or place of business but the relevant income is not effectively connected with the establishment or place of business, to the extent such dividends are derived from sources within China.

Pursuant to the *Arrangement Between the Mainland of China and the Hong Kong Special Administrative Region for the Avoidance of Double Taxation and the Prevention of Fiscal Evasion with Respect to Taxes on Income and Capital* (《內地和香港特別行政區關於對所得避免雙重徵稅和防止偷漏稅的安排》), and other applicable PRC laws, if a Hong Kong resident enterprise is determined by the competent PRC tax authority to have met the relevant conditions and requirements under this arrangement and other applicable laws, the 10% withholding tax on the dividends the Hong Kong resident enterprise receives from a PRC resident enterprise may be reduced to 5%. However, based on the *Circular on Certain Issues with Respect to the Enforcement of Dividend Provisions in Tax Treaties* (《國家稅務總局關於執行稅收協定股息條款有關問題的通知》) promulgated on February 20, 2009, if the relevant PRC tax authorities determine, in their discretions, that a company benefits from such reduced income tax rate due to a structure or arrangement that is primarily tax-driven, such PRC tax authorities may adjust the preferential tax treatment.

REGULATORY OVERVIEW

Pursuant to the *Circular on Several Questions regarding the “Beneficial Owner” in Tax Treaties* (《國家稅務總局關於稅收協定中「受益所有人」有關問題的公告》), which was promulgated on February 3, 2018 by the SAT and became effective on April 1, 2018, when determining the applicant’s status as the “beneficial owner” regarding tax treatments in connection with dividends, interests, or royalties in the tax treaties, several factors, including, without limitation, whether the applicant is obligated to pay more than 50% of his or her income in twelve months to residents in third country or region, whether the business operated by the applicant constitutes the actual business activities, and whether the counter party country or region to the tax treaties does not levy any tax or grant any tax exemption on relevant incomes or levy tax at an extremely low rate, will be taken into account, and such factors will be analyzed according to the actual circumstances of the specific cases. This circular further provides that an applicant who intends to prove his or her status as the “beneficial owner” must submit the relevant documents to the relevant tax bureau pursuant to the Announcement on Issuing the Measures for the *Administration of Non-Resident Taxpayers’ Enjoyment of the Treatment under Tax Agreements* (《國家稅務總局關於發布〈非居民納稅人享受稅收協定待遇管理辦法〉的公告》).

Tax on Indirect Transfer

On February 3, 2015, the SAT promulgated the *Circular on Issues of Enterprise Income Tax on Indirect Transfers of Assets by Non-PRC Resident Enterprises* (《國家稅務總局關於非居民企業間接轉讓財產企業所得稅若干問題的公告》), or SAT Circular 7. Pursuant to SAT Circular 7, an “indirect transfer” of assets, including equity interests in a PRC resident enterprise, by non-PRC resident enterprises, may be recharacterized and treated as a direct transfer of PRC taxable assets, if such arrangement does not have a reasonable commercial purpose and was established for the purpose of avoiding payment of PRC enterprise income tax. As a result, gains derived from such indirect transfer may be subject to PRC enterprise income tax. When determining whether there is a “reasonable commercial purpose” in the transaction arrangement, features to be taken into consideration include, inter alia, whether the main value of the equity interest of the relevant offshore enterprise derives directly or indirectly from PRC taxable assets; whether the assets of the relevant offshore enterprise mainly consists of direct or indirect investment in China or if its income is mainly derived from China; and whether the offshore enterprise and its subsidiaries directly or indirectly holding PRC taxable assets have a real commercial nature which is evidenced by their actual function and risk exposure. Pursuant to SAT Circular 7, where the payer fails to withhold any or sufficient tax, the transferor shall declare and pay such tax to the tax authority by itself within the statutory time limit. Late payment of applicable tax will subject the transferor to default interest. SAT Circular 7 does not apply to transactions of sale of shares by investors through a public stock exchange where such shares were acquired on a public stock exchange.

REGULATORY OVERVIEW

On October 17, 2017, the SAT promulgated the *Circular on Issues of Tax Withholding Regarding Non-PRC Resident Enterprise Income Tax* (《國家稅務總局關於非居民企業所得稅源泉扣繳有關問題的公告》), or SAT Circular 37, which was amended by the *Announcement of the State Administration of Taxation on Revising Certain Taxation Normative Documents* (《國家稅務總局關於修改部分稅收規範性文件的公告》) promulgated on June 15, 2018 by the SAT. SAT Circular 37 further elaborates the relevant implemental rules regarding the calculation, reporting, and payment obligations of the withholding tax by the non-resident enterprises.

HISTORY, DEVELOPMENT AND CORPORATE STRUCTURE

OUR HISTORY

Overview

Our Company was incorporated as an exempted limited liability company in the Cayman Islands on June 24, 2021. Since its incorporation, our Company has been an investment holding company.

Our Group's history can be traced back to March 2008 when Ophyer Technology was established. In March 2009, Mr. Wang and Mr. Li, the founders of our Group's businesses, became the shareholders of Ophyer Technology. In April 2009, Mr. Wang and Mr. Li joined the management team of Ophyer Technology and since then, they were primarily responsible for the strategic development, overall operation and management of our Group. For the biography of Mr. Wang and Mr. Li, see the paragraph headed "Directors and Senior Management — Board of Directors — Executive Directors" in this prospectus. We were previously principally engaged in games and games-related business. Since April 2017, we started shifting our focus to the AR/VR content and services businesses by gradually scaling down and finally completed the winding-down of our games and games-related business in May 2019 mainly because we saw the development and fast growth of the AR/VR content and services market. Our history in the games and games-related business provided us with the experiences and advantages in technologies and operations which would be beneficial to our shift to the AR/VR content and services business. We made a strategic shift in our business focus to AR/VR content and services to take advantage of the opportunities and to fulfill the unmet customer demands in the AR/VR content and services market. In 2021, we announced that we will be publishing our Feitian Metaverse platform. According to iResearch, we ranked the first in terms of revenue in the AR/VR content and services market in China, amounting to approximately 2.6% of the market share in 2021. We also ranked the first in terms of revenue in the AR/VR services market in China, reaching approximately 13.5% of the market share in 2021.

The shares of Ophyer Technology were listed on the NEEQ in 2017 and were delisted from the NEEQ in 2019. See the paragraph headed "— Corporate Development — Listing on the NEEQ and Capital Increase" and "— Corporate Development — Delisting from the NEEQ" below for further details.

In 2021, in preparation for the Listing, we undertook a corporate reorganization upon which our Company became the holding company and the listing vehicle of our Group. See the paragraph headed "— Reorganization" below for details.

HISTORY, DEVELOPMENT AND CORPORATE STRUCTURE

Key Milestones

The following table sets out major achievements and milestones in the development of our Group:

Year	Event
2008	Ophyer Technology was established in the PRC
2010	We started cooperation with a mobile telecommunications network provider in the PRC
2012	We became a cooperation partner of a mobile telecommunications network provider in the PRC
2016	We were awarded the “Member Enterprise of Zhongguancun Enterprise Credit Promotion Association (中關村企業信用促進會會員單位)”
2017	The shares of Ophyer Technology were listed on the NEEQ in July We introduced our first AR/VR SaaS platform We were named as the “China’s New Economic Leader” by China Economic Herald and China Business News
2019	The shares of Ophyer Technology were delisted from the NEEQ in August We launched the updated AR/VR SaaS platform, namely the “Wanjie Smart Marketing Platform” (萬界智慧營銷平台)
2020	We upgraded our Wanjie Smart Marketing Platform to comprehensively cover e-commerce, education, automobile, culture and tourism and live-streaming industries Mr. Wang Chongling (王崇嶺), Hefei Shuimu, Ms. Song Lifang (宋麗芳) and SAIF Dynamiques became our Pre-IPO Investors We were awarded the “Top Ten Innovative Enterprises in Brand Power (Cultural Technology Industry) in 2019 (2019品牌強國（文化科技行業）十大創新力企業)” by Brand Power Economic Forum

HISTORY, DEVELOPMENT AND CORPORATE STRUCTURE

Year	Event
2021	Ms. Yi Huimin (益惠敏), Tongchuang Weiye, Guochuang Feitian, Kaiyuan Future, Grand Canal (Nanjing), Zhongtong Xinyuan, Nanchang Xiaolan, Mr. Liang Hui (梁輝), Shenzhen Chestnut, Shenzhen Linghang, Xi'an Zhiyao, Xi'an Biyue, Ms. Li Shu Lan (李淑蘭), Ms. Peng Si (彭思), Tianjin Xinghuo, Ningbo Midu, Ms. Li Xiujie (李秀傑), Jinan Taiyue, Hainan Yilin, Shanghai Zheji and Mr. Wang King Cheong Tommy (王景昌) became our Pre-IPO Investors

We announced that we will be publishing our Feitian Metaverse platform

OUR MAJOR PRC OPERATING ENTITIES

During the Track Record Period, certain of our Consolidated Affiliated Entities, namely Ophyer Technology, Hupo Jinyuan and Beijing Xingshi, made material financial contributions to our Group. The following table sets forth certain information of such Consolidated Affiliated Entities as of the Latest Practicable Date:

Name	Principal business activities	Date and place of establishment	Date of commencement of business	Direct shareholders	Amount of registered capital (RMB)
Ophyer Technology	AR/VR marketing services, AR/VR content, AR/VR SaaS, IP and others	March 19, 2008, the PRC	March 27, 2009	Registered Shareholders	11,572,845.00
Hupo Jinyuan	Promotion services	March 29, 2011, the PRC	September 19, 2011	Ophyer Technology	10,000,000.00
Beijing Xingshi	Text message services	April 10, 2020, the PRC	April 10, 2020	Ophyer Technology (70%) Weifang Weiting (30%)	10,000,000.00

Note: Our major PRC operating entities include our Consolidated Affiliated Entities which had contributed to our Group's revenue during each year/period of the Track Record Period since their incorporations. Zhongrunxing and Shenzhen Huachuang did not have any business operation for the year ended December 31, 2019 and December 31, 2021, respectively and hence Zhongrunxing had not contributed to our Group's revenue for the year ended December 31, 2019 and Shenzhen Huachuang had not contributed to our Group's revenue for the year ended December 31, 2021. Therefore, they were not included in the above table.

HISTORY, DEVELOPMENT AND CORPORATE STRUCTURE

CORPORATE DEVELOPMENT

Ophyer Technology

Establishment

Ophyer Technology was established as a limited liability company on March 19, 2008 under the name of Beijing Hengchuang Zhaoye Technology Co., Ltd.* (北京恒創兆業科技有限公司) under the laws of the PRC with an initial registered capital of RMB1,000,000. Upon establishment, Ophyer Technology was held as to 64.00%, 35.00% and 1.00% by Mr. Yang Xuekai (楊雪凱), Mr. Guo Xiaofeng (郭曉峰) and Mr. Song Pengpeng (宋鵬鵬) (collectively, the “**Initial Shareholders**”), respectively, all of whom are Independent Third Parties.

Early development

On March 27, 2009, Ophyer Technology was renamed to Beijing Ophyer Technology Co., Ltd.* (北京掌中飛天科技有限公司).

On March 24, 2009, the Initial Shareholders entered into share transfer agreements with Mr. Wang, Mr. Li and three other Independent Third Parties, namely, Mr. Qin Zheng (秦征), Mr. Zhao Wei (趙偉) and Mr. An Di (安迪). Upon completion of these transfers on March 27, 2009, Ophyer Technology was owned by Mr. Qin Zheng (秦征), Mr. Zhao Wei (趙偉), Mr. Wang, Mr. An Di (安迪) and Mr. Li as to 23.00%, 23.00%, 18.00%, 18.00% and 18.00%, respectively.

Subsequent to various share transfers between November 2009 and June 2016, on June 20, 2016, Ophyer Technology was owned by Mr. Wang, Mr. Li, Shanghai Shiao and Shanghai Wangyue as to 72.00%, 13.00%, 10.00% and 5.00%, respectively. Shanghai Shiao and Shanghai Wangyue are both limited partnerships and are both ultimately held as to 85% by Mr. Wang (the general partner) and 15% by Mr. Li (the limited partner).

On September 2, 2016, Ophyer Technology was renamed to its current name Beijing Ophyer Technology Shares Co., Ltd.* (北京掌中飛天科技股份有限公司), and was subsequently converted into a joint stock company with limited liability, with RMB1,500,000 of its net assets converted into 1,500,000 issued shares with a nominal value of RMB1.00 each attributable to its then shareholders in proportion to their respective shareholdings. As a result, the registered capital of Ophyer Technology was increased to RMB1,500,000.

HISTORY, DEVELOPMENT AND CORPORATE STRUCTURE

Capital increases in 2017

On March 1, 2017, the registered capital of Ophyer Technology was increased from RMB1,500,000 to RMB1,666,667 as a result of the capital contribution by an Independent Third Party, namely, Mr. Du Haitao (杜海濤). Mr. Du Haitao (杜海濤) invested RMB560,000 in Ophyer Technology, among which RMB166,667 was contributed to the registered capital of Ophyer Technology and the remaining amount was contributed to the capital reserve of Ophyer Technology. The consideration was fully settled on March 21, 2017.

On May 11, 2017, the registered capital of Ophyer Technology was further increased from RMB1,666,667 to RMB1,937,984 as a result of the capital contributions by certain Independent Third Parties, namely, Hefei Shuimu, Mr. Wang Chongling (王崇嶺) and Shaanxi Big Data. Hefei Shuimu invested RMB2,000,000, among which RMB77,519 was contributed to the registered capital of Ophyer Technology; Mr. Wang Chongling (王崇嶺) invested RMB3,000,000, among which RMB116,279 was contributed to the registered capital of Ophyer Technology; and Shaanxi Big Data invested RMB2,000,000, among which RMB77,519 was contributed to the registered capital of Ophyer Technology. The remaining amount of the above capital contributions were contributed to the capital reserve of Ophyer Technology. The considerations were fully settled on April 28, 2017.

The considerations for the above capital increases in 2017 were determined after arm's length negotiations with reference to the long-term development potential of Ophyer Technology agreed between the parties.

Upon completion of the above capital increases, Ophyer Technology was owned by Mr. Wang, Mr. Li, Mr. Du Haitao (杜海濤), Mr. Wang Chongling (王崇嶺), Shanghai Shiao, Hefei Shuimu, Shaanxi Big Data and Shanghai Wangyue as to 55.73%, 10.06%, 8.60%, 6.00%, 7.74%, 4.00%, 4.00% and 3.87%, respectively.

Listing on the NEEQ and capital increase

To improve the brand awareness and corporate governance of Ophyer Technology as well as to expand its financial resources, in 2017, Ophyer Technology decided to apply for the listing on the NEEQ. On July 14, 2017, all of the 1,937,984 issued shares of Ophyer Technology were listed on the NEEQ. Pursuant to the shareholders' resolutions passed on November 19, 2017, the total issued shares of Ophyer Technology was increased from 1,937,984 shares to 9,061,000 shares and its registered capital was increased from RMB1,937,984 to RMB9,061,000.

HISTORY, DEVELOPMENT AND CORPORATE STRUCTURE

Delisting from the NEEQ

To implement our future business strategy as well as to explore for a listing on other stock exchanges to tap into capital markets with a broader investor base, on August 9, 2019, the then shareholders of Ophyer Technology resolved to apply for delisting of the shares of Ophyer Technology from the NEEQ. On August 27, 2019, the shares of Ophyer Technology were delisted from the NEEQ. Based on the last trading share price of Ophyer Technology of RMB38.63 before it was delisted from the NEEQ, its market capitalization was approximately RMB350 million.

Assuming an Offer Price of HK\$2.55 per Offer Share (being the mid-point of the Offer Price Range of HK\$2.21 to HK\$2.88 per Offer Share), the expected market capitalization of our Company immediately upon the Listing is approximately HK\$4.6 billion (assuming the Over-allotment Option is not exercised and without taking into account any Shares to be issued upon the exercise of options which may be granted under the Post-IPO Share Option Scheme). The expected market capitalization under the Global Offering is determined after taking into account primarily (i) the shift of our focus from games and games related businesses to AR/VR marketing services; (ii) the performance and growth of our Group during the Track Record Period, which is reflected from the significant increase of our revenue from approximately RMB250.9 million and gross profit of approximately RMB75.3 million for the year ended December 31, 2019, to approximately RMB595.3 million and gross profit of approximately RMB175.5 million for the year ended December 31, 2021; (iii) the Pre-IPO Investments made to Ophyer Technology and our Company; (iv) the business prospect of our Group; and (v) the current valuation of comparable companies listed on the Stock Exchange. Having considered the above factors in determining the expected market capitalization of our Company under the Global Offering, the Sole Sponsor is of the view that such expected market capitalization is fair and reasonable.

Immediately after delisting from the NEEQ, the shareholding structure of Ophyer Technology is set out as below:

Shareholders	Shareholdings	Percentage of shareholding
Mr. Wang	4,731,516	52.22%
Mr. Li	684,718	7.56%
Shanghai Shiao ^(Note)	701,321	7.74%
Shanghai Wangyue ^(Note)	350,661	3.87%
Shandong Dingshang	906,000	10.00%
Mr. Wang Chongling (王崇嶺)	543,660	6.00%
Mr. Du Haitao (杜海濤)	418,248	4.62%
Hefei Shuimu	362,438	4.00%
Shaanxi Big Data	362,438	4.00%
Total	9,061,000	100.00%

Note: Shanghai Shiao and Shanghai Wangyue are both limited partnerships ultimately held as to 85% by Mr. Wang (the general partner) and 15% by Mr. Li (the limited partner).

HISTORY, DEVELOPMENT AND CORPORATE STRUCTURE

As advised by our PRC Legal Advisors, Ophyer Technology, all its then operating subsidiaries and controlled entities had been in compliance with all applicable PRC securities laws and regulations and rules and regulations of the NEEQ in all material respects and Ophyer Technology, all its then operating subsidiaries and controlled entities had not been subject to any penalties imposed by the NEEQ during the period of its listing on the NEEQ, and the delisting of Ophyer Technology from the NEEQ has fulfilled the required procedures. As advised by our PRC Legal Advisors, there was no breach or suspected breach of the rules and regulations of the NEEQ by, or any disciplinary action by any relevant law enforcement authority or regulation against, Ophyer Technology, all its then operating subsidiaries and controlled entities, its shareholders or its directors during the period of its listing on the NEEQ up to the date of delisting. Our Directors further confirm, and the Sole Sponsor concurs, that there is no matter that needs to be brought to the attention of the regulators and investors in relation to Ophyer Technology's listing on and delisting from the NEEQ mentioned above.

Based on the opinion of our PRC Legal Advisors, the due diligence conducted by the Sole Sponsor and our Directors' confirmation, the Sole Sponsor is of the view that (i) Ophyer Technology, all its then operating subsidiaries and controlled entities had been in compliance with all applicable PRC securities laws and regulations and rules and regulations of the NEEQ in all material respects; (ii) Ophyer Technology, all its then operating subsidiaries and controlled entities had not been subject to any penalties imposed by the NEEQ; and (iii) there was no breach of the rules and regulations of the NEEQ by, or any disciplinary action by any relevant law enforcement authority or regulation against, Ophyer Technology, all its then operating subsidiaries and controlled entities, its controlling shareholders or its directors during the period of its listing on the NEEQ up to the date of delisting. There is no matter that needs to be brought to the attention of the regulators and investors of the Company in relation to Ophyer Technology's listing on and delisting from the NEEQ.

Pre-IPO Investments

Between July 2020 and November 2021, Ophyer Technology entered into various capital increase agreements with our Pre-IPO Investors and there were various share transfers among the then shareholders of Ophyer Technology and our Pre-IPO Investors. Our Company also entered into a capital contribution agreement with a Pre-IPO Investor. See the paragraph headed “—Pre-IPO Investments” below for further details.

HISTORY, DEVELOPMENT AND CORPORATE STRUCTURE

Hupo Jinyuan

Hupo Jinyuan was established as a limited liability company on March 29, 2011 under the name of Beijing Hupo Jinyuan Technology Co., Ltd.* (北京琥珀金源科技有限公司) under the laws of the PRC with an initial registered capital of RMB500,000. Upon establishment, Hupo Jinyuan was held as to 50% and 50% by Mr. Wang and Mr. Li, respectively.

On September 19, 2011, pursuant to a nomination agreement dated September 13, 2011, Mr. Wang transferred all his interests in Hupo Jinyuan to Ms. Tang Xiuzhen (湯秀珍), his mother, as a nominee, as Mr. Wang wanted to focus on the strategic development of Hupo Jinyuan and therefore involved Ms. Tang Xiuzhen (湯秀珍) to handle the administrative matters of Hupo Jinyuan. Under such nominee arrangement, Mr. Wang retained all the rights, benefits and responsibilities arising from the interests in Hupo Jinyuan, including but not limited to voting and dividend rights. Ms. Tang Xiuzhen (湯秀珍) did not participate in the operation and management of Hupo Jinyuan, and Mr. Wang was responsible for major business operations, personnel changes and major financial management issues of Hupo Jinyuan. As advised by our PRC Legal Advisors, such nominee arrangement did not contravene the applicable PRC laws and regulations. On June 29, 2016, as part of the restructuring of Ophyer Technology, Ms. Tang Xiuzhen (湯秀珍) (at the direction of Mr. Wang) and Mr. Li transferred all of their interests in Hupo Jinyuan to Ophyer Technology at a consideration of RMB200,000 and RMB200,000, respectively. The considerations were agreed by the parties with reference to the paid up registered capital of Hupo Jinyuan and were fully settled on August 5, 2016. Upon completion of the transfers, Hupo Jinyuan became a wholly-owned subsidiary of Ophyer Technology.

On July 17, 2020, Hupo Jinyuan was renamed to its current name, Beijing Hupo Jinyuan Media Co., Ltd* (北京琥珀金源傳媒有限公司), and the registered capital of Hupo Jinyuan was increased from RMB500,000 to RMB10,000,000.

Zhongrunxing

Zhongrunxing was established as a limited liability company on November 13, 2017 under the laws of the PRC with an unpaid initial registered capital of RMB3,000,000. Upon establishment, Zhongrunxing was held as to 50% and 50% by Ms. Wu Xiaoyan (吳曉燕) and Mr. Xu Zhiyong (徐智勇), respectively, both being Independent Third Parties.

On November 6, 2018, Ophyer Technology acquired from Ms. Wu Xiaoyan (吳曉燕) and Mr. Xu Zhiyong (徐智勇) all their interests in Zhongrunxing, considering the business prospect of the production of animation videos and the fact that Zhongrunxing holds the relevant license for such services. Such acquisition was conducted at nil consideration, after taking into account the fact that the registered capital of Zhongrunxing was unpaid at the relevant time, and Zhongrunxing did

HISTORY, DEVELOPMENT AND CORPORATE STRUCTURE

not have any business operation and had no profit or loss at the time of the transfers. Upon completion of the transfers, Zhongrunxing became a wholly-owned subsidiary of Ophyer Technology.

Shenzhen Huachuang

Shenzhen Huachuang was established as a limited liability company on January 12, 2021 under the laws of the PRC with an initial registered capital of RMB40,000,000. Upon establishment and as of the Latest Practicable Date, Shenzhen Huachuang was wholly owned by Ophyer Technology.

Beijing Xingshi

Beijing Xingshi was established as a limited liability company on April 10, 2020 under the laws of the PRC with an initial registered capital of RMB1,000,000, and the registered capital was increased to RMB10,000,000 on June 21, 2021. Upon establishment and as of the Latest Practicable Date, Beijing Xingshi was held as to 70% by Ophyer Technology and 30% by Weifang Weiting. Weifang Weiting is a limited partnership established under the laws of PRC on September 4, 2019. Weifang Weiting is held as to approximately 5% by Wang Yushan (王珏珊) (the general partner) and approximately 95% by Ms. Wang Jing (王晶) (the limited partner), both of whom are Independent Third Parties.

Beijing Digital

Beijing Digital was established as a limited liability company on August 18, 2022 under the laws of the PRC with an initial registered capital of RMB50,000,000. Upon establishment and as of the Latest Practicable Date, Beijing Digital was wholly owned by Beijing Flowing Cloud.

CONCERT PARTY AGREEMENT

On December 13, 2021, Mr. Wang and Mr. Li entered into a concert party agreement, pursuant to which Mr. Wang and Mr. Li confirmed, among other things, that since they became shareholders and/or beneficial owners of Ophyer Technology or any member of our Group, they have been cooperating and are parties acting in concert with respect to the matters of Ophyer Technology, and shall continue to do so until the termination of such concert party agreement, and that they have been and shall continue to give unanimous consent, approval or rejection on any material issues and decision in relation to the business of our Company and the relevant members of our Group.

HISTORY, DEVELOPMENT AND CORPORATE STRUCTURE

REASONS FOR THE LISTING

Our Board is of the view that the Global Offering will provide us with the necessary funding to further develop our business. We also believe that the Listing on the Stock Exchange will present us with an opportunity to further expand our investor base and broaden our access to capital markets.

PRE-IPO INVESTMENTS

The Onshore Pre-IPO Investments

To fund our rapid business expansion and broaden our shareholder base, Ophyer Technology underwent Pre-IPO Investments between 2020 and 2021.

Round A Financing

On July 25, 2020, Mr. Wang Chongling (王崇嶺), Hefei Shuimu, Ms. Song Lifang (宋麗芳) and Ms. Yi Huimin (益惠敏) entered into a capital increase agreement with Mr. Wang and Ophyer Technology, pursuant to which Mr. Wang Chongling (王崇嶺), Hefei Shuimu, Ms. Song Lifang (宋麗芳) and Ms. Yi Huimin (益惠敏) invested RMB5,000,000, RMB3,000,000, RMB5,000,000 and RMB7,000,000 for approximately 0.93%, 0.56%, 0.93% and 1.30% of the shareholdings of Ophyer Technology, among which RMB87,125, RMB52,275, RMB87,125 and RMB121,975 were contributed to the registered capital of Ophyer Technology, respectively. The remaining amount of the above capital contributions were contributed to the capital reserve of Ophyer Technology. The considerations were fully settled on August 4, 2020, August 6, 2020, December 4, 2020 and February 25, 2021, respectively.

All the round A financing Pre-IPO Investors are Independent Third Parties. The considerations for the round A financing Pre-IPO Investments were determined after arm's length negotiations with reference primarily to the then valuation of Ophyer Technology agreed between the parties and the long-term development potential of Ophyer Technology.

HISTORY, DEVELOPMENT AND CORPORATE STRUCTURE

Immediately upon completion of the abovementioned shareholding changes, the shareholding structure of Ophyer Technology is set out as below:

Shareholders	Shareholdings	Percentage of shareholding
Mr. Wang	4,731,516	50.28%
Mr. Li	684,718	7.28%
Shanghai Shiao ⁽¹⁾	701,321	7.45%
Shanghai Wangyue ⁽¹⁾	350,661	3.73%
Shandong Dingshang	906,000	9.63%
Mr. Wang Chongling (王崇嶺) ⁽²⁾	630,785	6.70%
Mr. Du Haitao (杜海濤)	418,248	4.44%
Hefei Shuimu ⁽²⁾	414,713	4.41%
Shaanxi Big Data	362,438	3.85%
Ms. Yi Huimin (益惠敏) ⁽²⁾	121,975	1.30%
Ms. Song Lifang (宋麗芳) ⁽²⁾	87,125	0.93%
Total	9,409,500	100.00%

Notes:

- Shanghai Shiao and Shanghai Wangyue are both limited partnerships ultimately held as to 85% by Mr. Wang (the general partner) and 15% by Mr. Li (the limited partner).
- Round A financing Pre-IPO Investors consist of Mr. Wang Chongling (王崇嶺), Hefei Shuimu, Ms. Song Lifang (宋麗芳) and Ms. Yi Huimin (益惠敏).

Round A+ Financing

1. Capital increases

On December 2, 2020, SAIF Dynamiques entered into a capital increase agreement with Ophyer Technology, Mr. Wang, Shanghai Shiao and Shanghai Wangyue and Mr. Li, pursuant to which SAIF Dynamiques invested RMB30,000,000 for approximately 4.76% of the shareholding of Ophyer Technology, among which RMB470,475 was contributed to the registered capital of Ophyer Technology. The consideration was fully settled on December 31, 2020.

HISTORY, DEVELOPMENT AND CORPORATE STRUCTURE

On January 25, 2021, each of Tongchuang Weiye, Guochuang Feitian and Kaiyuan Future entered into separate capital increase agreements with Ophyer Technology, Mr. Wang, Shanghai Shiao and Shanghai Wangyue, pursuant to which Tongchuang Weiye, Guochuang Feitian and Kaiyuan Future invested RMB45,000,000, RMB10,000,000 and RMB10,000,000 for approximately 6.43%, 1.43% and 1.43% of the shareholdings of Ophyer Technology, among which RMB705,712.5, RMB156,825 and RMB156,825 were contributed to the registered capital of Ophyer Technology, respectively. The considerations were fully settled on April 16, 2021, March 23, 2021 and March 5, 2021, respectively.

On January 27, 2021, Grand Canal (Nanjing) entered into a capital increase agreement with Ophyer Technology, Mr. Wang, Shanghai Shiao and Shanghai Wangyue, pursuant to which Grand Canal (Nanjing) invested RMB30,000,000 for approximately 4.14% of the shareholding of Ophyer Technology, and RMB470,475 was contributed to the registered capital of Ophyer Technology. The consideration was fully settled on May 31, 2021.

The remaining amount of the above capital contributions were contributed to the capital reserve of Ophyer Technology.

2. *Share transfers*

On February 1, 2021 and February 2, 2021, Shandong Dingshang transferred approximately 6.88% and approximately 2.30% of the shareholdings of Ophyer Technology to Xi'an Zhiyao and Xi'an Biyue at considerations of RMB30,000,000 and RMB10,000,000, respectively. The considerations were fully settled on March 3, 2021 and February 22, 2021, respectively.

All the round A+ financing Pre-IPO Investors are Independent Third Parties. The considerations for the round A+ financing Pre-IPO Investments were determined after arm's length negotiations with reference primarily to the then valuation of Ophyer Technology agreed between the parties.

HISTORY, DEVELOPMENT AND CORPORATE STRUCTURE

Immediately upon completion of the abovementioned shareholding changes, the shareholding structure of Ophyer Technology is set out as below:

Shareholders	Shareholdings	Percentage of shareholding
Mr. Wang	4,731,516	41.61%
Mr. Li	684,718	6.02%
Shanghai Shiao ⁽¹⁾	701,321	6.17%
Shanghai Wangyue ⁽¹⁾	350,661	3.08%
Tongchuang Weiye ⁽³⁾	705,713	6.20%
Xi'an Zhiyao ⁽³⁾	679,500	5.98%
Mr. Wang Chongling (王崇嶺) ⁽²⁾	630,785	5.55%
SAIF Dynamiques ⁽³⁾	470,475	4.14%
Grand Canal (Nanjing) ⁽³⁾	470,475	4.14%
Mr. Du Haitao (杜海濤)	418,248	3.68%
Hefei Shuimu ⁽²⁾	414,713	3.65%
Shaanxi Big Data	362,438	3.19%
Xi'an Biyue ⁽³⁾	226,500	1.99%
Guochuang Feitian ⁽³⁾	156,825	1.38%
Kaiyuan Future ⁽³⁾	156,825	1.38%
Ms. Yi Huimin (益惠敏) ⁽²⁾	121,975	1.07%
Ms. Song Lifang (宋麗芳) ⁽²⁾	87,125	0.77%
Total	11,369,813	100.00%

Notes:

1. Shanghai Shiao and Shanghai Wangyue are both limited partnerships ultimately held as to 85% by Mr. Wang (the general partner) and 15% by Mr. Li (the limited partner).
2. Round A financing Pre-IPO Investors consist of Mr. Wang Chongling (王崇嶺), Hefei Shuimu, Ms. Song Lifang (宋麗芳) and Ms. Yi Huimin (益惠敏).
3. Round A+ financing Pre-IPO Investors consist of SAIF Dynamiques, Tongchuang Weiye, Guochuang Feitian, Kaiyuan Future, Grand Canal (Nanjing), Xi'an Zhiyao and Xi'an Biyue.

Round B Financing

On April 12, 2021, Xi'an Biyue transferred approximately 1.93% of the shareholding of Ophyer Technology to Ningbo Midu at a consideration of RMB9,000,000. The consideration was fully settled on May 7, 2021.

HISTORY, DEVELOPMENT AND CORPORATE STRUCTURE

On April 23, 2021, April 23, 2021 and April 24, 2021, Xi'an Zhiyao transferred approximately 0.48%, 0.96% and 0.36% of the shareholdings of Ophyer Technology to Ms. Li Shu Lan (李淑蘭), Ms. Peng Si (彭思) and Tianjin Xinghuo at considerations of RMB2,250,000, RMB4,500,000 and RMB2,610,000, respectively. The considerations were fully settled on November 26, 2021, November 26, 2021 and June 25, 2021, respectively.

All the round B financing Pre-IPO Investors are Independent Third Parties. The considerations for the round B financing Pre-IPO Investments were determined after arm's length negotiations with reference primarily to the then valuation of Ophyer Technology agreed between the parties.

Immediately upon completion of the abovementioned shareholding changes, the shareholding structure of Ophyer Technology is set out as below:

Shareholders	Shareholdings	Percentage of shareholding
Mr. Wang	4,731,516	41.61%
Mr. Li	684,718	6.02%
Shanghai Shiao ⁽¹⁾	701,321	6.17%
Shanghai Wangyue ⁽¹⁾	350,661	3.08%
Tongchuang Weiye ⁽³⁾	705,713	6.20%
Mr. Wang Chongling (王崇嶺) ⁽²⁾	630,785	5.55%
Xi'an Zhiyao ⁽³⁾	475,079	4.18%
SAIF Dynamiques ⁽³⁾	470,475	4.14%
Grand Canal (Nanjing) ⁽³⁾	470,475	4.14%
Mr. Du Haitao (杜海濤)	418,248	3.68%
Hefei Shuimu ⁽²⁾	414,713	3.65%
Shaanxi Big Data	362,438	3.19%
Ningbo Midu ⁽⁴⁾	219,555	1.93%
Guochuang Feitian ⁽³⁾	156,825	1.38%
Kaiyuan Future ⁽³⁾	156,825	1.38%
Ms. Yi Huimin (益惠敏) ⁽²⁾	121,975	1.07%
Ms. Peng Si (彭思) ⁽⁴⁾	108,993	0.96%
Ms. Song Lifang (宋麗芳) ⁽²⁾	87,125	0.77%
Ms. Li Shu Lan (李淑蘭) ⁽⁴⁾	54,497	0.48%
Tianjin Xinghuo ⁽⁴⁾	40,931	0.36%
Xi'an Biye ⁽³⁾	6,945	0.06%
Total	11,369,813	100.00%

HISTORY, DEVELOPMENT AND CORPORATE STRUCTURE

Notes:

1. Shanghai Shiao and Shanghai Wangyue are both limited partnerships ultimately held as to 85% by Mr. Wang (the general partner) and 15% by Mr. Li (the limited partner).
2. Round A financing Pre-IPO Investors consist of Mr. Wang Chongling (王崇嶺), Hefei Shuimu, Ms. Song Lifang (宋麗芳) and Ms. Yi Huimin (益惠敏).
3. Round A+ financing Pre-IPO Investors consist of SAIF Dynamiques, Tongchuang Weiye, Guochuang Feitian, Kaiyuan Future, Grand Canal (Nanjing), Xi'an Zhiyao and Xi'an Biye.
4. Round B financing Pre-IPO Investors consist of Ningbo Midu, Ms. Li Shu Lan (李淑蘭), Ms. Peng Si (彭思) and Tianjin Xinghuo.

Round C Financing

1. Capital increases

On September 24, 2021, Zhongtong Xinyuan entered into a capital increase agreement with Ophyer Technology, Mr. Wang, Shanghai Shiao and Shanghai Wangyue, pursuant to which Zhongtong Xinyuan invested RMB10,000,000 for approximately 0.71% of shareholding of Ophyer Technology, among which RMB81,213 was contributed to the registered capital of Ophyer Technology. The consideration was fully settled on September 29, 2021.

On October 19, 2021, Nanchang Xiaolan entered into a capital increase agreement with Ophyer Technology, Mr. Wang, Shanghai Shiao and Shanghai Wangyue, pursuant to which Nanchang Xiaolan invested RMB15,000,000 for approximately 1.06% of shareholding of Ophyer Technology, among which RMB121,819 was contributed to the registered capital of Ophyer Technology. The consideration was fully settled on October 22, 2021.

The remaining amount of the above capital contributions made by our round C financing Pre-IPO Investors were contributed to the capital reserve of Ophyer Technology.

2. Share transfers

On August 20, 2021, Mr. Du Haitao (杜海濤), through Shanghai Peishang Enterprise Management Consulting Center (Limited Partnership)* (上海佩尚企業管理諮詢中心(有限合夥)), a limited partnership held as to 99% by him, transferred approximately 3.68% of the shareholding of Ophyer Technology to Ms. Li Xiujie (李秀傑) at a consideration of RMB1,839,300. The consideration was fully settled on November 25, 2021.

HISTORY, DEVELOPMENT AND CORPORATE STRUCTURE

Between September 28, 2021 and October 25, 2021, Shanghai Shiao transferred approximately 0.74%, 1.00%, 1.00% and 1.50% of the shareholdings of Ophyer Technology to Zhongtong Xinyuan, Mr. Liang Hui (梁輝), Shenzhen Chestnut and Shenzhen Linghang at considerations of RMB7,400,000, RMB10,000,000, RMB10,000,000 and RMB15,000,000, respectively. The considerations were fully settled on October 8, 2021, November 3, 2021, October 28, 2021 and October 27, 2021, respectively.

On October 31, 2021, Mr. Wang Chongling (王崇嶺) transferred approximately 1.3% of the shareholding of Ophyer Technology to Jinan Taiyue at a consideration of RMB15,000,000. The consideration was fully settled on November 1, 2021.

On October 28, 2021 and November 11, 2021, Shanghai Shiao transferred approximately 0.44% and 1.47% of the shareholdings of Ophyer Technology to Shanghai Zheji and Hainan Yilin at considerations of RMB4,354,200 and RMB22,000,000, respectively. The considerations were fully settled on November 26, 2021 and November 19, 2021, respectively.

All the round C financing Pre-IPO Investors are Independent Third Parties. The considerations for the round C financing Pre-IPO Investments were determined after arm's length negotiations with reference primarily to the then valuation of Ophyer Technology agreed among the parties and the long term development potential of Ophyer Technology.

HISTORY, DEVELOPMENT AND CORPORATE STRUCTURE

Immediately upon completion of the abovementioned shareholding changes, the shareholding structure of Ophyer Technology is set out as below:

Shareholders	Shareholdings	Percentage of shareholding
Mr. Wang	4,731,516	40.88%
Mr. Li	684,718	5.92%
Shanghai Wangyue ⁽¹⁾	350,661	3.03%
Tongchuang Weiye ⁽³⁾	705,713	6.10%
Mr. Wang Chongling (王崇嶺) ⁽²⁾	482,483	4.17%
Xi'an Zhiyao ⁽³⁾	475,079	4.11%
SAIF Dynamiques ⁽³⁾	470,475	4.07%
Grand Canal (Nanjing) ⁽³⁾	470,475	4.07%
Ms. Li Xiujie (李秀傑) ⁽⁵⁾	418,248	3.61%
Hefei Shuimu ⁽²⁾	414,713	3.58%
Shaanxi Big Data	362,438	3.13%
Ningbo Midu ⁽⁴⁾	219,555	1.90%
Shenzhen Linghang ⁽⁵⁾	170,547	1.47%
Hainan Yilin ⁽⁵⁾	169,735	1.47%
Zhongtong Xinyuan ⁽⁵⁾	165,350	1.43%
Guochuang Feitian ⁽³⁾	156,825	1.36%
Kaiyuan Future ⁽³⁾	156,825	1.36%
Jinan Taiyue ⁽⁵⁾	148,302	1.28%
Ms. Yi Huimin (益惠敏) ⁽²⁾	121,975	1.05%
Nanchang Xiaolan ⁽⁵⁾	121,819	1.05%
Mr. Liang Hui (梁輝) ⁽⁵⁾	113,698	0.98%
Shenzhen Chestnut ⁽⁵⁾	113,698	0.98%
Ms. Peng Si (彭思) ⁽⁴⁾	108,993	0.94%
Ms. Song Lifang (宋麗芳) ⁽²⁾	87,125	0.75%
Ms. Li Shu Lan (李淑蘭) ⁽⁴⁾	54,497	0.47%
Shanghai Zheji ⁽⁵⁾	49,506	0.43%
Tianjin Xinghuo ⁽⁴⁾	40,931	0.35%
Xi'an Biyue ⁽³⁾	6,945	0.06%
Total	11,572,845	100.00%

Notes:

- Shanghai Wangyue is a limited partnership held as to 85% by Mr. Wang (the general partner) and 15% by Mr. Li (the limited partner).
- Round A financing Pre-IPO Investors consist of Mr. Wang Chongling (王崇嶺), Hefei Shuimu, Ms. Song Lifang (宋麗芳) and Ms. Yi Huimin (益惠敏).

HISTORY, DEVELOPMENT AND CORPORATE STRUCTURE

3. Round A+ financing Pre-IPO Investors consist of SAIF Dynamiques, Tongchuang Weiye, Guochuang Feitian, Kaiyuan Future, Grand Canal (Nanjing), Xi'an Zhiyao and Xi'an Biyue.
4. Round B financing Pre-IPO Investors consist of Ningbo Midu, Ms. Li Shu Lan (李淑蘭), Ms. Peng Si (彭思) and Tianjin Xinghuo.
5. Round C financing Pre-IPO Investors consist of Zhongtong Xinyuan, Nanchang Xiaolan, Ms. Li Xiujie (李秀傑), Mr. Liang Hui (梁輝), Shenzhen Chestnut, Shenzhen Linghang, Jinan Taiyue, Hainan Yilin and Shanghai Zheji.

The Offshore Pre-IPO Investment

On September 30, 2021, Mr. Wang King Cheong Tommy (王景昌) entered into a capital contribution agreement (as supplemented on October 8, 2021) with our Company, Ophyer Technology, Mr. Wang and Wang BVI, pursuant to which Mr. Wang King Cheong Tommy (王景昌) agreed to invest an amount equivalent to RMB2,482,767 in HKD or USD for approximately 0.34% of the shareholding of our Company. On November 24, 2021, Mr. Wang Chongling (王崇嶺) entered into a share transfer agreement with Mr. Wang King Cheong Tommy (王景昌), pursuant to which Mr. Wang Chongling (王崇嶺) agreed to transfer approximately 0.65% of the shareholding of Ophyer Technology, which will be reflected at our Company's shareholding level, at a consideration of RMB6,390,000. The considerations were determined after arm's length negotiations with reference to the long-term development potential of our Company and Ophyer Technology as agreed among the parties and were fully settled on November 29, 2021. Mr. Wang King Cheong Tommy (王景昌) is an Independent Third Party.

HISTORY, DEVELOPMENT AND CORPORATE STRUCTURE

Principal terms of the Pre-IPO Investments

The table below summarizes the principal terms of the Pre-IPO Investments:

Name of Pre-IPO Investor(s)	Date of agreement	Percentage of equity interest acquired immediately after the round of investment	Date of settlement	Consideration	Cost per Share paid ⁽¹⁾⁽³⁾⁽⁴⁾	Discount to the mid-point of the Offer Price ⁽²⁾⁽⁶⁾	Post-IPO Share Option Scheme	Shareholding in our Company immediately upon completion of the Capitalization Issue and the Global Offering (assuming non-exercise of Over-allotment Option, and without taking into account any Shares to be issued upon the exercise of options which may be granted under the Post-IPO Share Option Scheme)
		%		(RMB)	(RMB)	%		%
Round A Financing								
Mr. Wang Chongling (王崇嶺)	July 25, 2020	6.70	August 4, 2020	5,000,000	0.43	80.76		2.97
Hefei Shuimu	July 25, 2020	4.41	August 6, 2020	3,000,000	0.43	80.76		3.04
Ms. Song Lifang (宋麗芳)	July 25, 2020	0.93	December 4, 2020	5,000,000	0.43	80.76		0.64
Ms. Yi Humin (益惠敏)	July 25, 2020	1.30	February 25, 2021	7,000,000	0.43	80.76		0.89
Round A+ Financing								
SAIF Dynamiques	December 2, 2020	4.14	December 31, 2020	30,000,000	0.48	78.63		3.44
Tongchuang Weiye	January 25, 2021	6.20	April 16, 2021	45,000,000	0.48	78.63		5.17
Guochuang Feitian	January 25, 2021	1.38	March 23, 2021	10,000,000	0.48	78.63		1.15
Kaiyuan Future	January 25, 2021	1.38	March 5, 2021	10,000,000	0.48	78.63		1.15
Grand Canal (Nanjing)	January 27, 2021	4.14	May 31, 2021	30,000,000	0.48	78.63		3.44
Xi'an Zhiyao	February 1, 2021	5.98	March 3, 2021	30,000,000	0.33 ⁽⁴⁾⁽ⁱ⁾	85.20		3.48
Xi'an Biye	February 2, 2021	1.99	February 22, 2021	10,000,000	0.33 ⁽⁴⁾⁽ⁱ⁾	85.20		0.05

HISTORY, DEVELOPMENT AND CORPORATE STRUCTURE

Name of Pre-IPO Investor(s)	Date of agreement	Percentage of equity interest acquired immediately after the round of investment	Date of settlement	Consideration	Cost per Share paid ⁽¹⁾⁽³⁾⁽⁴⁾	Discount to the mid-point of the Offer Price ⁽²⁾⁽⁶⁾	Shareholding in our Company immediately upon completion of the Capitalization Issue and the Global Offering (assuming non-exercise of Over-allotment Option, and without taking into account any Shares to be issued upon the exercise of options which may be granted under the Post-IPO Share Option Scheme)
		%		(RMB)	(RMB)	%	%
Round B Financing							
Ningbo Midu	April 12, 2021	1.93	May 7, 2021	9,000,000	0.31 ⁽⁴⁾⁽ⁱⁱ⁾	86.26	1.61
Ms. Li Shu Lan (李淑蘭)	April 23, 2021	0.48	November 26, 2021	2,250,000	0.31 ⁽⁴⁾⁽ⁱⁱ⁾	86.16	0.40
Ms. Peng Si (彭思)	April 23, 2021	0.96	November 26, 2021	4,500,000	0.31 ⁽⁴⁾⁽ⁱⁱ⁾	86.16	0.80
Tianjin Xinghuo	April 24, 2021	0.36	June 25, 2021	2,610,000	0.48 ⁽⁴⁾⁽ⁱⁱ⁾	78.63	0.30
Round C Financing							
Ms. Li Xiujie (李秀傑)	August 20, 2021	3.61	November 25, 2021	1,839,300	0.03 ⁽⁵⁾	98.53	3.06
Zhongtong Xinyuan	September 24, 2021	1.43	October 8, 2021	10,000,000	0.79	64.73	1.21
	(with respect to capital increase)			(with respect to capital increase)			
	September 28, 2021			7,400,000			
	(with respect to share transfer)			(with respect to share transfer)			
Nanchang Xiaolan	October 19, 2021	1.05	October 22, 2021	15,000,000	0.93	58.73	0.89
Shenzhen Chestnut	October 22, 2021	0.98	October 28, 2021	10,000,000	0.66	70.52	0.83
Shenzhen Linghang	October 22, 2021	1.47	October 27, 2021	15,000,000	0.66	70.52	1.25
Mr. Liang Hui (梁輝)	October 25, 2021	0.98	November 3, 2021	10,000,000	0.66	70.52	0.83
Jinan Taiyue	October 31, 2021	1.28	November 1, 2021	15,000,000	0.76 ⁽⁴⁾⁽ⁱⁱⁱ⁾	66.10	1.09

HISTORY, DEVELOPMENT AND CORPORATE STRUCTURE

Name of Pre-IPO Investor(s)	Date of agreement	Percentage of equity interest acquired immediately after the round of investment	Date of settlement	Consideration	Cost per Share paid ⁽¹⁾⁽³⁾⁽⁴⁾	Discount to the mid-point of the Offer Price ⁽²⁾⁽⁶⁾	Shareholding in our Company immediately upon completion of the Capitalization Issue and the Global Offering (assuming non-exercise of Over-allotment Option, and without taking into account any Shares to be issued upon the exercise of options which may be granted under the Post-IPO Share Option Scheme)
Shanghai Zheji	October 28, 2021	0.43	November 26, 2021	(RMB) 4,354,200	(RMB) 0.66	% 70.52	0.36
Hainan Yilin	November 11, 2021	1.47	November 19, 2021	22,000,000	0.98 ⁽⁴⁾⁽ⁱⁱⁱ⁾	56.55	1.24
<i>The offshore Pre-IPO Investment</i>							
Mr. Wang King Cheong Tommy (王景昌)	September 30, 2021 (with respect to capital contribution)	0.99	November 29, 2021	2,482,767 (with respect to capital contribution)	0.58 ^{(4)(iv)}	74.24	0.85
	November 24, 2021 (with respect to share transfer)			6,390,000 (with respect to share transfer)			

HISTORY, DEVELOPMENT AND CORPORATE STRUCTURE

Notes:

- (1) Calculated by dividing the total consideration paid by the total number of Shares immediately after the completion of the Capitalization Issue.
- (2) The discount to the mid-point of the Offer Price is calculated based on the assumption that the mid-point of the Offer Price is HK\$2.55 per Share, assuming the indicative Offer Price range of HK\$2.21 to HK\$2.88 per Share, and that the Over-allotment Option is not exercised.
- (3) (a) Mr. Wang Chongling (王崇嶺), Hefei Shuimu, Ms. Song Lifang (宋麗芳), Ms. Yi Huimin (益惠敏), SAIF Dynamiques, Tongchuang Weiye, Guochuang Feitian, Kaiyuan Future, Grand Canal (Nanjing), Nanchang Xiaolan made their Pre-IPO Investments by way of capital increases to Ophyer Technology; (b) Xi'an Zhiyao, Xi'an Biye, Ningbo Midu, Ms. Li Shu Lan (李淑蘭), Ms. Peng Si (彭思), Tianjin Xinghuo, Ms. Li Xiujie (李秀傑), Mr. Liang Hui (梁輝), Shenzhen Chestnut, Shenzhen Linghang, Jinan Taiyue, Shanghai Zheji, Hainan Yilin made their Pre-IPO Investments by way of share transfers among shareholders of Ophyer Technology and these Pre-IPO Investors; and (c) Zhongtong Xinyuan and Mr. Wang King Cheong Tommy (王景昌) made their Pre-IPO Investments by way of both capital increases and share transfers among shareholders of Ophyer Technology and these Pre-IPO Investors.
- (4) Generally, Pre-IPO Investments by way of capital increases to Ophyer Technology at an earlier stage bear a relatively higher risk and face more uncertainties in terms of our Company's progress in its preparation for the Listing, and accordingly the considerations had relatively higher discounted rates. For the Pre-IPO Investments made by (a) Xi'an Zhiyao and Xi'an Biye under round A+ financing; (b) all Pre-IPO Investors under round B financing; (c) all Pre-IPO Investors except Nanchang Xiaolan under round C financing; and (d) Mr. Wang King Cheong Tommy (王景昌) under the offshore Pre-IPO Investment, these Pre-IPO Investments involved investments made by way of share transfers among shareholders of Ophyer Technology and these Pre-IPO Investors, and the considerations were based on arm's length negotiations among the parties. The Company did not participate in the relevant negotiation processes for the considerations with respect to these share transfers. To the best knowledge of our Directors, (i) the cost per share for the Pre-IPO Investments made by Xi'an Zhiyao and Xi'an Biye were determined with reference to those of the capital increases under the same round of financing, factoring in a discount for share transfers; (ii) the cost per share for the share transfers under round B financing were determined with reference to those of the share transfers under round A+ financing; (iii) the cost per share for the share transfers under round C financing were in a broadly similar price range, except for those of Jinan Taiyue and Hainan Yilin, which were relatively higher as such investments were negotiated at a time closing to the Listing; and (iv) the cost per share for the offshore Pre-IPO Investment by Mr. Wang King Cheong Tommy (王景昌) was relatively lower than those of the other Pre-IPO Investments made at similar times, taking into account the benefits brought to our Company for the funds to our offshore bank account and the administrative convenience to our Company.
- (5) To the best knowledge of our Directors, for the Pre-IPO Investment made by Ms. Li Xiujie (李秀傑), the consideration for the share transfer was agreed among the parties in 2019 and the valuation of Ophyer Technology was relatively low then, thus had a relatively higher discount rate.
- (6) The difference between the valuations for the Pre-IPO Investments and the IPO valuation mainly resulted from (a) the increased liquidity in the Shares upon the Listing, whereas Ophyer Technology and our Company was a private company at the time of negotiating the Pre-IPO Investments, and therefore a premium is factored into the IPO valuation to reflect such difference in liquidity; (b) the financial performance of our Group for the year ended December 31, 2021 and the expected financial performance of our Group after the Listing; (c) the strategic benefits that our Pre-IPO Investors may bring to our Company as set out in the paragraph headed "— Strategic benefits" below; and (d) the creation of our own Metaverse platform. These factors contributed to a relatively higher IPO valuation of our Company. For instance, the valuations for the Pre-IPO Investments under round C financing, other

HISTORY, DEVELOPMENT AND CORPORATE STRUCTURE

than that for Ms. Li Xiujie (李秀傑), were primarily determined with reference to (i) the considerations for the Pre-IPO Investments for round B financing, due to the proximity in time between these two rounds of Pre-IPO Investments; (ii) the valuation on the fair value of our Shares performed by our management at the relevant times; and (iii) and financial performance of our Group for the year ended December 31, 2020. Hence, there was such discount to the Offer Price.

Strategic benefits

Our Directors are of the view that the Pre-IPO Investors have strengthened our Company's shareholder base and our capital, and the funds raised from the Pre-IPO Investors were and/or will be used for our business operations and future business development. Our Directors are also of the view that our Company would benefit from our Pre-IPO Investors' business resources, network, knowledge and experience, and potential business opportunities, co-operations and benefits that may be provided by them. Our Pre-IPO Investors include investment funds which are experienced in investing in the AR/VR industry, for example Hefei Shuimu and SAIF Dynamiques, which provide a backdrop for their interactions with and advice to our Company. At the relevant time of the investment, our Directors believed that our Group could benefit from the investors' industry insights and guidance in formulation of our business and expansion strategies. In addition, some Pre-IPO Investors, for example Grand Canal (Nanjing), Ningbo Midu and Nanchang Xiaolan, invested in our Group as they are interested or confident in future cooperations with us, and therefore our Directors believed that they can help us achieve business synergies through enhanced business cooperation. Further, our Directors were of the view that the Pre-IPO Investors' investment in our Group was an endorsement of our strength and prospects. Our Directors were also of the view that our Group could benefit from the Pre-IPO Investors' commitment to our Group as their investment demonstrates their confidence and endorsement of the performance, management and prospects of our Group.

Use of proceeds from the Pre-IPO Investments

As of the Latest Practicable Date, approximately 50% of the net proceeds from the Pre-IPO Investments had been utilized for (i) our business operations including prepayments for advertising traffic acquisition, and (ii) staff costs. The rest of such net proceeds will be utilized for prepayments for advertising traffic acquisition and future business development.

Lock-up period

Each of the Pre-IPO Investors is subject to a lock-up period of six months after the Listing.

HISTORY, DEVELOPMENT AND CORPORATE STRUCTURE

Special rights of the Pre-IPO Investors

In connection with the Pre-IPO Investments, our Pre-IPO Investors were granted certain special rights in relation to Ophyer Technology, including: (i) preemptive rights, (ii) redemption rights, (iii) rights of first refusal, (iv) share co-sale rights, (v) performance compensation rights, (vi) information and inspection rights, (vii) anti-dilution rights, and (viii) liquidation preference.

In anticipation of the Global Offering, these special rights granted to our Pre-IPO Investors were terminated before or immediately before our Company's application for the Listing and will only revive if such application is withdrawn, expired or cancelled.

Offshore Restructuring

As part of the Reorganization, Shares were allotted and issued to the offshore investment vehicles of the onshore Pre-IPO Investors to reflect their respective equity interest in Ophyer Technology. See the paragraph headed “— Reorganization — Allotment and issue of Shares to offshore holding companies” above for further details.

Information regarding our Pre-IPO Investors

Hefei Shuimu

Hefei Shuimu is a limited partnership established under the laws of the PRC on July 19, 2016 and registered with Asset Management Association of China (registration number: SS1003), which focuses on investments in the information technology industry, advanced technology, creative and environmentally friendly projects. Hefei Shuimu is held as to approximately 0.62% by Anhui Tsing Ventures Investment Management LP* (安徽水木投資管理中心(有限合夥)) (“**Anhui Shuimu**”) (its general partner), and approximately 47.33%, 47.33% and 4.73% by the following limited partners respectively: Hefei Dongxin Construction Investment Holding Group Co., Ltd.* (合肥市東鑫建設投資控股集團有限公司) (“**Hefei Dongxin**”), Anhui High-tech Industry Investment Co., Ltd.* (安徽省高新技術產業投資有限公司) (“**Anhui High-tech**”) and Anhui Fukun Automobile Insurance Agency Co., Ltd.* (安徽福坤汽車保險代理有限公司) (“**Anhui Fukun**”). The general partner of Anhui Shuimu is Beijing Qingkong Shuimu Investment Management Co., Ltd.* (北京清控水木投資管理有限公司), a limited liability company established under the laws of the PRC which primarily engages in equity investment and consultancy service, which, to the best knowledge of our Directors, is owned as to 90.00% by Tang Jingcao (唐勁草) and 10.00% by Luo Bin (羅斌), respectively. To the best knowledge of our Directors, (i) the ultimate beneficial owner of Hefei Dongxin is the Anhui Chaohu Economic Development Zone Management Committee; (ii) the ultimate beneficial owner of Anhui High-tech is the SASAC of Anhui Province; and (iii) Anhui Fukun is ultimately controlled by Wei Rui (魏薏). Tang Jingcao has over 20 years of venture

HISTORY, DEVELOPMENT AND CORPORATE STRUCTURE

capital investment experience. To the best knowledge of our Directors, Hefei Shuimu, its general partner and limited partners are Independent Third Parties. To the best knowledge of our Directors, the limited partners of Hefei Shuimu are independent from each other. Hefei Shuimu became acquainted with our Group through Mr. Wang, and decided to invest in our Group as it was optimistic in our growth potential and future prospect.

SAIF Dynamiques

SAIF Dynamiques is a limited partnership established under the laws of the PRC on December 5, 2016 and registered with Asset Management Association of China (registration number: ST1111), which focuses on investments in technology, Internet, gaming and digital content services. SAIF Dynamiques is held as to approximately 1.98% by Shenzhen SAIF Dynamiques Equity Investment Fund Management Partnership (Limited Partnership)* (深圳市賽富動勢股權投資基金管理企業(有限合夥)) (“**Shenzhen SAIF**”) (the general partner), and approximately 26.98%, 22.48%, 13.49%, 7.64% and 5.37% by the limited partners China Merchants Securities Asset Management Co., Ltd.* (招商證券資產管理有限公司) (“**CMS Asset Management**”), Shenzhen Guiding Fund Investment Co., Ltd.* (深圳市引導基金投資有限公司) (“**Shenzhen Guiding Fund**”), Shenzhen Futian Guidance Fund Investment Co., Ltd.* (深圳市福田引導基金投資有限公司) (“**Shenzhen Futian Guidance Fund**”), Ningbo Meishan Free Trade Port Juxian Investment Partnership (Limited Partnership)* (寧波梅山保稅港區鉅獻投資合夥企業(有限合夥)) (“**Ningbo Meishan**”) and Shenzhen Pangu Jiuhao Equity Investment Center (Limited Partnership) (深圳市盤古玖號股權投資中心(有限合夥)) (“**Shenzhen Pangu**”). The remaining 22.06% interest is held by two companies, six natural persons and five limited partnerships, one of which has a common general partner with Shenzhen Pangu, one of which has a common investor as Shenzhen Pangu and one of which has a common general partner with Ningbo Meishan (each of which holds less than 5% interest in SAIF Dynamiques). The general partner of Shenzhen SAIF is Shenzhen Dynamic Investment Consulting Co., Ltd.* (深圳市動勢投資顧問有限公司) which is a limited liability company established under the laws of the PRC primarily engaging in investment and consultancy service and, to the best knowledge of our Directors, is owned by Jin Fengchun (金鳳春) as to 99.00% and Yu Shiying (俞詩盈) as to 1.00%, both of whom are Independent Third Parties. To the best knowledge of our Directors, (i) CMS Asset Management is a wholly-owned subsidiary of China Merchant Securities Co., Ltd (SHA: 600999; Stock Exchange: 6099), which is ultimately controlled by the State Council of the PRC; (ii) the beneficial owner of Shenzhen Guiding Fund is the Bureau of Finance of Shenzhen municipal government; (iii) the beneficial owner of Shenzhen Futian Guidance Fund is the Bureau of Finance of Shenzhen Futian district; (iv) Ningbo Meishan is ultimately controlled by Ni Jianda (倪建達); and (v) Shenzhen Pangu is ultimately controlled by Zhang Kaixing (張開興). SAIF Dynamiques, its general partner and limited partners are Independent Third Parties. To the best knowledge of our Directors, except for (i) CMS Asset Management, which is a wholly-owned subsidiary of a company listed on both the Shanghai Stock Exchange and the Stock Exchange, (ii) Shenzhen Guiding Fund and Shenzhen

HISTORY, DEVELOPMENT AND CORPORATE STRUCTURE

Futian Guidance Fund's common ownership by the local governments, (iii) Shenzhen Pangu's affiliated relationship with two limited partnerships as mentioned above, and (iv) Ningbo Meishan's common general partner with another limited partnership as mentioned above, the remaining limited partners of SAIF Dynamiques are independent from each other. SAIF Dynamiques became acquainted with our Group through the introduction by Shanghai Runfu Financial Consulting Center* (上海潤復財務諮詢中心), a professional third-party financial advisory agency, and decided to invest in our Group as it was optimistic in our growth potential and future prospect.

Tongchuang Weiye

Tongchuang Weiye is a limited partnership established under the laws of the PRC on January 4, 2021 and registered with Asset Management Association of China (registration number: SQD652), which focuses on investments in healthcare and technology, media and telecommunication industries. Tongchuang Weiye is held as to approximately 2.00% by Shenzhen Cowin Jinxiu Asset Management Co., Ltd.* (深圳同創錦繡資產管理有限公司) (“**Shenzhen Cowin**”) (the general partner), and approximately 26.33%, 18.33%, 16.67%, 13.17%, 10.00%, 9.08% and 4.42% by the following limited partners respectively: Shandong New Kinetic Energy Fund Management Co., Ltd.* (山東省新動能基金管理有限公司) (“**Shandong New Kinetic**”), Qingdao Science and Technology Innovation Fund Partnership (Limited Partnership)* (青島市科技創新基金合夥企業(有限合夥)) (“**Qingdao Science and Technology**”), Qingdao Port and Shipping Industry Development Fund Partnership (Limited Partnership)* (青島港航產業發展基金合夥企業(有限合夥)) (“**Qingdao Port**”), Qingdao Tongchuang Zhijia Equity Investment Partnership (Limited Partnership)* (青島同創致佳股權投資合夥企業(有限合夥)) (“**Qingdao Tongchuang**”), Qingdao Ocean New Kinetic Energy Industry Investment Fund (Limited Partnership)* (青島市海洋新動能產業投資基金(有限合夥)) (“**Qingdao Ocean**”), Qingdao Chengyang District Sunshine Innovation Investment Co., Ltd.* (青島市城陽區陽光創新投資有限公司) (“**Qingdao Chengyang**”), and Qingdao Municipal Guiding Fund Investment Co., Ltd.* (青島市引導基金投資有限公司) (“**Qingdao Guiding Fund**”). Shenzhen Cowin is a limited liability company established under the laws of the PRC primarily engaging in equity investment and consultancy service and, to the best knowledge of our Directors, is a wholly-owned subsidiary of Shenzhen Cowin Asset Management Co., Ltd.* (深圳同創偉業資產管理股份有限公司) (“**Shenzhen Cowin Asset**”), an investment company listed on the NEEQ (stock code: 832793), which in turn, to the best knowledge of our Directors, is ultimately controlled by Mr. Zheng Weihe (鄭偉鶴) and Ms. Huang Li (黃荔), both are Independent Third Parties. To the best knowledge of our Directors, (i) the ultimate beneficial owner of Shandong New Kinetic is the Bureau of Finance of Shandong Province; (ii) there are only three ultimate beneficial owners which are interested in more than 10% partnership interest in Qingdao Science and Technology, namely the Bureau of Finance of Qingdao City, the Bureau of Finance of the Laoshan District of Qingdao City and Shandong Provincial Department of Finance; (iii) Qingdao Port is ultimately controlled by the Bureau of

HISTORY, DEVELOPMENT AND CORPORATE STRUCTURE

Finance of Qingdao City; (iv) Qingdao Tongchuang is held as to 90.00% by Wang Haibo (王海波) and 10.00% by Shenzhen Cowin; (v) Qingdao Ocean is ultimately controlled by the SASAC of Qingdao City; (vi) Qingdao Chengyang is ultimately controlled by the SASAC of Chengyang District of Qingdao City; and (vii) Qingdao Guiding Fund is ultimately controlled by the Bureau of Finance of Qingdao City. To the best knowledge of our Directors, Tongchuang Weiye, its general partner and limited partners are Independent Third Parties. To the best knowledge of our Directors, the limited partners of Tongchuang Weiye are independent from each other. Tongchuang Weiye became acquainted with our Group through Beijing Roadshow World Investment Management Co., Ltd.* (北京路演天下投資管理股份有限公司), a professional third-party financial advisory agency, and decided to invest in our Group as it was confident in the investment prospect of our Group.

Guochuang Feitian

Guochuang Feitian is a limited partnership established under the laws of the PRC on January 18, 2021, which focuses on providing business management consulting services, information consulting services and AI public service platform technical consulting services. Guochuang Feitian is held as to approximately 0.07% by Tianjin Anxintong Investment Co., Ltd.* (天津市安信通投資有限公司) (“**Tianjin Anxintong**”) (the general partner), and approximately 66.62%, 26.65% and 6.66%, by the following limited partners respectively: Mr. Wang Ziguang (王紫光), Mr. Wang Weidong (王衛東) and Ms. Sun Junyan (孫君艷). Tianjin Anxintong is a limited liability company established under the laws of the PRC primarily engaging in investment management and consultancy service and, to the best knowledge of our Directors, is owned by Zheng Caimei (鄭彩梅) as to 95.00% and Wang Lingqin (王靈芹) as to 5.00%, both of whom are Independent Third Parties. To the best knowledge of our Directors, Guochuang Feitian, its general partner and limited partners are Independent Third Parties. To the best knowledge of our Directors, the limited partners of Guochuang Feitian are independent from each other. Zheng Caimei (鄭彩梅) came to know our Group through a person who works in a securities firm and is an acquaintance of Mr. Li Yao, our executive Director, and then established Guochuang Feitian for the purposes of investing in our Group, as she was confident in the development of our businesses.

Kaiyuan Future

Kaiyuan Future is a limited partnership established under the laws of the PRC on November 30, 2020, which focuses on private equity investments and asset management. Kaiyuan Future is held as to 20.00% by Shanghai Kaiyuan Sichuang Investment Co., Ltd.* (上海開源思創投資有限公司) (“**Shanghai Kaiyuan**”) (the general partner), and 40.00%, 30.00% and 10.00% by the following limited partners respectively: Future Television Co., Ltd.* (未來電視有限公司) (“**Future Television**”), Tianjin Technology Finance Holding Group Co., Ltd.* (天津科技融資控股集團有限公司) (“**Tianjin Technology**”) and Ningbo Meishan Free Trade Port Gejiu Investment Co., Ltd.*

HISTORY, DEVELOPMENT AND CORPORATE STRUCTURE

(寧波梅山保稅港區格久投資有限公司) (“**Ningbo Meishan**”). Shanghai Kaiyuan is a limited liability company established under the laws of the PRC primarily engaging in investment management and, to the best knowledge of our Directors, is ultimately controlled by the SASAC of Shaanxi Province. To the best knowledge of our Directors, (i) Future Television is ultimately controlled by the China Central Television, a Chinese state-owned public institution; (ii) Tianjin Technology is ultimately controlled by the Tianjin Science and Technology Innovation and Development Center, a public institution under Tianjin Municipal Science and Technology Bureau; and (iii) Ningbo Meishan is ultimately controlled by the SASAC of Shaanxi Province. To the best knowledge of our Directors, Kaiyuan Future, its general partner and limited partners are Independent Third Parties. To the best knowledge of our Directors, the limited partners of Kaiyuan Future are independent from each other. Kaiyuan Future became acquainted with our Group through the introduction by other companies in the same industry, and decided to invest in our Group as it was optimistic about the investment return in our Group.

Grand Canal (Nanjing)

Grand Canal (Nanjing) is a limited partnership established under the laws of the PRC on July 6, 2020, which focuses on investments in culture, tourism, Internet and e-commerce. Grand Canal (Nanjing) is held as to approximately 0.50% by Nanjing Cultural Investment Equity Investment Management Co., Ltd. * (南京文投股權投資管理有限公司) (“**Nanjing Cultural Investment**”) (the general partner), and approximately 50.00%, 25.00%, 20.00% and 4.50% by the following limited partners respectively: Nanjing Industry Development Fund Co., Ltd.* (南京市產業發展基金有限公司) (“**Nanjing Industry Development**”), Jiangsu Grand Canal Cultural Tourism Development Fund (Limited Partnership)* (江蘇省大運河文化旅遊發展基金(有限合夥)) (“**Jiangsu Grand Canal**”), Nanjing Fuzi Temple Culture Tour Group Co., Ltd.* (南京夫子廟文化旅遊集團有限公司) (“**Nanjing Fuzi Temple Culture**”) and Nanjing Wentou Equity Investment Fund (Limited Partnership)* (南京文投股權投資基金(有限合夥)) (“**Nanjing Wentou**”). Nanjing Cultural Investment is a limited liability company established under the laws of the PRC primarily engaging in equity investment management and, to the best knowledge of our Directors, is ultimately controlled by the Nanjing Municipal Finance Bureau, an Independent Third Party. To the best knowledge of our Directors, (i) Nanjing Industry Development is ultimately controlled by the Nanjing municipal government; (ii) Jiangsu Grand Canal is ultimately controlled by the government of Jiangsu Province; (iii) Nanjing Fuzi Temple Culture is ultimately controlled by the SASAC of Qinhuai District of the Nanjing municipal government; and (iv) Nanjing Wentou is ultimately controlled by the Bureau of Finance of the Nanjing municipal government. To the best knowledge of our Directors, Grand Canal (Nanjing), its general partner and limited partners are Independent Third Parties. To the best knowledge of our Directors, the limited partners of Grand Canal (Nanjing) are independent from each other. Grand Canal (Nanjing) became acquainted with

HISTORY, DEVELOPMENT AND CORPORATE STRUCTURE

our Group through Mr. Wang, and decided to invest in our Group as it was confident in our Group, the industry of our businesses and was interested in potential future business cooperation with our Group in the cultural tourism sector.

Xi'an Zhiyao

Xi'an Zhiyao is a limited partnership established under the laws of the PRC on February 24, 2021, which focuses on business management, information consulting services and investment in healthcare, Metaverse and AI industries. Xi'an Zhiyao is held as to 99.00% by Ms. Qiao Ru (喬茹) (the general partner) and 1.00% by Ms. Qiao Yue (喬悅) (the limited partner). Xi'an Zhiyao, Ms. Qiao Ru (喬茹) and Ms. Qiao Yue (喬悅), to the best knowledge of our Directors, are Independent Third Parties. Ms. Qiao Ru (喬茹) and Ms. Qiao Yue (喬悅) are siblings. Xi'an Zhiyao became acquainted with our Group through a person who is a senior management member of a technology company and is an acquaintance of the head of our project team and decided to invest in our Group as such investment aligned with its investment objectives.

Xi'an Biyue

Xi'an Biyue is a limited partnership established under the laws of the PRC on February 23, 2021, which focuses on business management, information consulting services and investment in consumption, healthcare and AR/VR industries. Xi'an Biyue is held as to 99.00% by Ms. Cheng Bingyi (程炳宜) (the general partner) and 1.00% by Mr. Wang Hui (王慧) (the limited partner). Xi'an Biyue, Ms. Cheng Bingyi (程炳宜) and Mr. Wang Hui (王慧), to the best knowledge of our Directors, are Independent Third Parties. Xi'an Biyue became acquainted with our Group through a person who works at a bank and is an acquaintance of Mr. Li Yao, our executive Director, and decided to invest in our Group as we are one of the leading companies in the AR/VR industry and it was confident in the future development of our businesses.

Tianjin Xinghuo

Tianjin Xinghuo is a limited partnership established under the laws of the PRC on March 18, 2021, which focuses on providing business management services and business management consulting services. Tianjin Xinghuo is held as to approximately 19.01% by Mr. Wang Xiufeng (王秀峰) (the general partner), and approximately 26.61%, 15.21%, 11.41%, 9.51%, 9.51%, 7.60% and 1.14% by the following limited partners respectively: Mr. Sun Chen (孫辰), Mr. Zhao Zengguo (趙增國), Mr. Li Kewei (李科偉), Mr. Han Song (韓松), Mr. Wu Di (吳頤), Mr. Li Hailong (李海龍), and Mr. Gao Chao (高超). To the best knowledge of our Directors, Tianjin Xinghuo, its general partner and limited partners are Independent Third Parties. To the best knowledge of our Directors, the limited partners of Tianjin Xinghuo are independent from each other. Mr. Wang

HISTORY, DEVELOPMENT AND CORPORATE STRUCTURE

Xiufeng (王秀峰) came to know our Group through Kaiyuan Future, our Pre-IPO Investor, and Tianjin Xinghuo decided to invest in our Group as it was confident in the future prospect of the industry of our Group.

Ningbo Midu

Ningbo Midu is a limited partnership established under the laws of the PRC on May 30, 2018, which focuses on industrial investment, project investment, asset management, and investment in biomedicine. Ningbo Midu is held as to approximately 10.75% by Tibet Midu Asset Management Co., Ltd.* (北京米度私募基金管理有限公司) (“**Tibet Midu**”) (the general partner), and approximately 69.89%, 8.60%, 4.30%, 4.30% and 2.15% by the limited partners Tibet Qiwei Enterprise Management Co., Ltd.* (珠海麒偉企業管理有限公司) (“**Tibet Qiwei**”), Mr. Chen Yiping (陳一平), Ms. Chen Yongxu (陳泳絮), Mr. Pan Yihang (潘一杭) and Mr. Wang Qingren (王慶仁), respectively. Tibet Midu is a limited liability company established under the laws of the PRC primarily engaging in project investment management and consulting services and, to the best knowledge of our Directors, ultimately controlled by Ms. Li Min (李敏), an Independent Third Party. To the best knowledge of our Directors, Tibet Qiwei is held as to 99.00% by Zhang Yan (張硯) and 1.00% by Lei Shuyang (雷樹洋), respectively. To the best knowledge of our Directors, Ningbo Midu, its general partner and limited partners are Independent Third Parties. To the best knowledge of our Directors, the limited partners of Ningbo Midu are independent from each other. Ningbo Midu became acquainted with our Group through Mr. Zhang Jiming, our chief financial officer, and decided to invest in our Group as it was confident in the potential future strategic cooperation opportunities of our Group.

Zhongtong Xinyuan

Zhongtong Xinyuan is a limited partnership established under the laws of the PRC on November 10, 2020, which focuses on investment management, asset management and private equity investments. Zhongtong Xinyuan is held as to approximately 0.04% by Zhongtong Fund Management (Shenzhen) Co., Ltd.* (中桐基金管理(深圳)有限公司) (“**Zhongtong Shenzhen**”) (the general partner), and approximately 24.05%, 16.03%, 16.03%, 10.69%, 8.02%, 8.02%, 6.41%, 5.34% and 5.34% by the following limited partners respectively: by Mr. Song Zewei (宋澤偉), Mr. Wang Hui (王輝), Mr. Dai Jun (代俊), Mr. Zhang Hang (張航), Mr. Ma Shaodan (馬紹丹), Ms. Wang Rui (王蕊), Mr. Yang Xiaoming (楊曉明), Mr. Wen Jianrong (文建榮) and Ms. Yu Juanjuan (迂娟娟). Zhongtong Shenzhen is a limited liability company established under the laws of the PRC primarily engaged in equity investment and, to the best knowledge of our Directors, ultimately controlled by Mr. Hou Shaoze (侯紹澤), an Independent Third Party. To the best knowledge of our Directors, Zhongtong Xinyuan, its general partner and limited partners are Independent Third Parties. To the best knowledge of our Directors, the limited partners of Zhongtong Xinyuan are independent from each other. Zhongtong Xinyuan came to know our

HISTORY, DEVELOPMENT AND CORPORATE STRUCTURE

Group as we were previously listed on the NEEQ. It was introduced with the opportunity to invest in our Group through a person who has been following companies listed on the NEEQ and is an acquaintance of Mr. Zhang Jiming, our chief financial officer, and decided to invest in our Group as it was optimistic about the future development of our Group.

Nanchang Xiaolan

Nanchang Xiaolan is a limited partnership established under the laws of the PRC on November 30, 2020, which focuses on investments in the AR/VR industry. Nanchang Xiaolan is held as to approximately 0.70% by Taihao Park Investment Co., Ltd (泰豪創業投資集團有限公司) (“**Taihao Park**”) (the general partner) and 0.30% by Guizhou Tellhow Fund Management Co., Ltd.* (貴州泰豪基金管理有限公司) (the general partner), and approximately 40.00%, 39.00% and 20.00% by the following limited partners respectively: Tellhow Creative Technology Group Co., Ltd.* (泰豪創意科技集團股份有限公司) (“**Tellhow Creative**”), Nanchang Xiaolan Economic and Technological Development Zone Economic Development Investment Co., Ltd.* (南昌小藍經濟技術開發區經濟發展投資有限責任公司) (“**Nanchang Xiaolan ETD**”) and Nanchang SME Service Center* (南昌市中小企業服務中心), a public institution under Nanchang municipal government. Taihao Park is a limited liability company established under the laws of the PRC primarily engaging in investment, construction and consulting services and, to the best knowledge of our Directors, both general partners of Nanchang Xiaolan, namely Taihao Park and Guizhou Tellhow Fund Management Co., Ltd., are controlled by Tellhow Group Co., Ltd.* (泰豪集團有限公司), which is held as to approximately 29.71% by Nanchang Jutai Investment Center (Limited Partnership)* (南昌翊泰投資中心(有限合夥)), 28.57% by Mr. Huang Daifang (黃代放), 28.57% by Nanchang Taizhi Investment Management Center (Limited Partnership)* (南昌泰智投資管理中心(有限合夥)) and 13.15% by Nanchang Chengtai Investment Center (Limited Partnership)* (南昌誠泰投資中心(有限合夥)). To the best knowledge of our Directors, (i) Tellhow Creative is held as to 40.00% by Tsinghua Tongfang Co., Ltd. (a company listed on the Shanghai Stock Exchange, stock code: 600100) and 60.00% by Tellhow Group Co., Ltd.* (泰豪集團有限公司); and (ii) Nanchang Xiaolan ETD is wholly-owned by the Nanchang municipal government. To the best knowledge of our Directors, Nanchang Xiaolan, its general partner and limited partners, and each of their respective shareholders, are Independent Third Parties. To the best knowledge of our Directors, the limited partners of Nanchang Xiaolan are independent from each other. Nanchang Xiaolan became acquainted with our Group through a person who has been following the development of the AR/VR industry and is an acquaintance of Mr. Zhang Jiming, our chief financial officer, and decided to invest in our Group as it was confident in our industry and the potential business cooperation with us in the AR/VR sectors.

HISTORY, DEVELOPMENT AND CORPORATE STRUCTURE

Shenzhen Chestnut

Shenzhen Chestnut is a limited partnership established under the laws of the PRC on August 19, 2021, which focuses on investment and providing financing consulting services. Shenzhen Chestnut is held as to approximately 10% by Shenzhen Fenglin Venture Investment Co., Ltd. (深圳峰林創業投資有限公司) (“**Shenzhen Fenglin**”) (the general partner), and approximately 50%, 20%, 10% and 10% by the following limited partners respectively: Mr. Li Wenhong (李文江), Mr. Zheng Chuanjiang (鄭川江), Mr. Zheng Shaopeng (鄭少鵬) and Mr. Hou Yunfei (侯雲飛). Shenzhen Fenglin is a limited liability company established under the laws of the PRC primarily engaging in equity investment management and, to the best knowledge of our Directors, ultimately controlled by Mr. Chen Zhiyuan (陳志遠) (“**Mr. Chen**”), an Independent Third Party. To the best knowledge of our Directors, Shenzhen Chestnut, its general partner and limited partners are Independent Third Parties. To the best knowledge of our Directors, the limited partners of Shenzhen Chestnut are independent from each other. Shenzhen Chestnut became acquainted with our Group through Mr. Wang, and decided to invest in our Group as it was optimistic about the future prospect of our Group.

Shenzhen Linghang

Shenzhen Linghang is a limited partnership established under the laws of the PRC on June 20, 2018, which focuses on investments in technology, Internet, new materials, new energy, and high-end equipment. Shenzhen Linghang is held as to approximately 2.00% by Shenzhen Fenglin (the general partner), and approximately 30.77%, 30.00%, 9.90%, 9.90%, 9.90% and 7.45% by the following limited partners respectively: Huayong Investment Group Co., Ltd.* (華永投資集團有限公司) (“**Huayong Investment**”), Shenzhen Futian Guidance Fund, Shandong Expressway Bohai Sea (Tianjin) Equity Investment Fund Management Co., Ltd.* (山東高速環渤海(天津)股權投資基金管理有限公司) (“**Shandong Expressway Bohai**”), Shandong Expressway North Bank (Shanghai) Investment Management Co., Ltd.* (山東高速北銀(上海)投資管理有限公司) (“**Shandong Expressway North Bank**”), Shandong Expressway Songxin (Tianjin) Investment Management Co., Ltd.* (山東高速嵩信(天津)投資管理有限公司) (“**Shandong Expressway Songxin**”) and Chongyi Zhangyuan Investment Holdings Co., Ltd.* (崇義章源投資控股有限公司) (“**Chongyi**”). Shenzhen Fenglin is a limited liability company established under the laws of the PRC primarily engaging in equity investment management and, to the best knowledge of our Directors, ultimately controlled by Mr. Chen, an Independent Third Party. To the best knowledge of our Directors, (i) Huayong Investment is held as to 11.50% by Zhang Bao Zhen (張寶珍) and 88.50% by Li Yong (李勇), respectively; (ii) the ultimate beneficial owner of Shenzhen Futian Guidance Fund is the Bureau of Finance of Shenzhen Futian District; (iii) Shandong Expressway Bohai, Shandong Expressway North Bank and Shandong Expressway Songxin are all ultimately controlled by the SASAC of Shandong Province; and (iv) Chongyi is held as to 94.00% by Huang Ze Lan (黃澤蘭) and 6.00% by Lai Xiang Ying (賴香英), respectively. To the best knowledge of

HISTORY, DEVELOPMENT AND CORPORATE STRUCTURE

our Directors, Shenzhen Linghang, its general partner and limited partners are Independent Third Parties. The limited partners of Shenzhen Linghang are independent from each other except that Shandong Expressway Bohai, Shandong Expressway North Bank and Shandong Expressway Songxin are all controlled by Shandong Expressway Group Co., Ltd.* (山東高速集團有限公司), a state-owned enterprise ultimately controlled by the SASAC of Shandong Province. Shenzhen Linghang became acquainted with our Group through Mr. Wang, and decided to invest in our Group as it was optimistic about the future prospect of our Group.

Jinan Taiyue

Jinan Taiyue is a limited partnership established under the laws of the PRC on August 4, 2021, which focuses on investment management, asset management and private equity investments. Jinan Taiyue is held as 40.00% by Shandong Lushang Private Equity Fund Management Co., Ltd.* (山東魯商私募基金管理有限公司) (“**Shandong Lushang**”) (the general partner) and 60.00% by Shandong Lushang Capital Management Co., Ltd. (山東魯商資本管理有限公司) (“**Shandong Lushang Capital**”) (the limited partner). Shandong Lushang is a limited liability company established under the laws of the PRC primarily engaging in capital market services and, to the best knowledge of our Directors, Shandong Lushang and Shandong Lushang Capital are both ultimately controlled by the SASAC of Shandong Province. To the best knowledge of our Directors, Jinan Taiyue, its general partner and limited partner are Independent Third Parties. Jinan Taiyue became acquainted with our Group through Mr. Wang Chongling, our Pre-IPO Investor, and decided to invest in our Group as it was confident in the financial performance of our Group and was of the view that our AR/VR business aligns with its investment scope and can create synergy with its business.

Hainan Yilin

Hainan Yilin is a limited partnership established under the laws of the PRC on October 29, 2021 which focuses on investment activities and information technology consulting services. Hainan Yilin is held as to approximately 85.00% by Beijing Xingtai Hengda Investment Management Co., Ltd.* (北京興泰恒達投資管理有限公司) (“**Beijing Xingtai**”) (the general partner), and approximately 6.67%, 5.00% and 3.33% by the following limited partners respectively: Mr. Liu Yangming (劉洋銘), Mr. Yi Guangzhao (易廣招) and Mr. Chen Hongyan (陳紅艷). Beijing Xingtai is a limited liability company established under the laws of the PRC primarily engaging in investment management and to the best knowledge of our Directors, ultimately controlled by Mr. Zhao Yafei (趙亞非) and Ms. Zhao Hongjing (趙紅靜), both Independent Third Parties. To the best knowledge of our Directors, Hainan Yilin, its general partner and limited partners are Independent Third Parties. To the best knowledge of our Directors,

HISTORY, DEVELOPMENT AND CORPORATE STRUCTURE

the limited partners of Hainan Yilin are independent from each other. Hainan Yilin became acquainted with our Group through introduction by other companies, and decided to invest in our Group as it was interested in investing in the industry of our Group.

Shanghai Zheji

Shanghai Zheji is a limited partnership established under the laws of the PRC on July 1, 2021, which focuses on providing business management services, business management consulting services and information consulting services. Shanghai Zheji is held as to approximately 90.00% and 10.00% by Mr. Piao Zhenhua (朴振華) (the general partner) and Beijing Zhefu Century Technology Co., Ltd (北京蟄伏世紀科技有限公司) (the limited partner), respectively, which to the best knowledge of our Directors, is wholly owned by Mr. Piao Zhenhua. Shanghai Zheji, its general partner and limited partner are Independent Third Parties. Mr. Piao Zhenhua came to know our Group through Mr. Li Yao, our executive Director, and established Shanghai Zheji for the purposes of investing in our Group. Shanghai Zheji decided to invest in our Group as it was confident in the business of our Group and the future development of the industry of our business.

Other individual Pre-IPO Investors

Mr. Wang Chongling (王崇嶺), Ms. Song Lifang (宋麗芳), Ms. Yi Huimin (益惠敏), Ms. Li Shu Lan (李淑蘭), Ms. Peng Si (彭思), Mr. Liang Hui (梁輝), Ms. Li Xiujie (李秀傑) and Mr. Wang King Cheong Tommy (王景昌) are individual investors who participate in investment opportunities for different target companies encompassing various business sectors from time to time. For example, most of our individual investors have previously invested in companies in the technology, media and telecom and Internet sectors. Mr. Wang came to know Mr. Wang Chongling (王崇嶺) through personal acquaintances and introduced him as a Pre-IPO Investor. Mr. Wang was acquainted with Mr. Wang King Cheong Tommy (王景昌) through introduction by Mr. Wang Chongling (王崇嶺), who introduced him as a Pre-IPO Investor. Ms. Song Lifang (宋麗芳), Ms. Yi Huimin (益惠敏), Ms. Li Shu Lan (李淑蘭), Ms. Peng Si (彭思), Mr. Liang Hui (梁輝) and Ms. Li Xiujie (李秀傑) became acquainted with our Group through the introduction by our management team. Ms. Song Lifang (宋麗芳) and Ms. Yi Huimin (益惠敏) were introduced by Mr. Li Yao, our executive Director. Ms. Li Shu Lan (李淑蘭), Ms. Peng Si (彭思) and Mr. Liang Hui (梁輝) were introduced by Mr. Zhang Jiming, our chief financial officer. Ms. Li Xiujie (李秀傑) was introduced by Ms. Zuo Yanhong, our finance vice president. The individual Pre-IPO Investors decided to invest in our Group as they were positive about the growth of the AR/VR industry in the long term, and were satisfied with the business prospect and future development of our Group, considering our business operation and financial performance during the Track Record Period. To the best knowledge of our Directors, Mr. Wang Chongling (王崇嶺) is currently the chairman of Tianjin Nanuo Biotechnology Co., Ltd.* (天津納諾生物科技股份有限公司), a company principally engaged in biotech development and research activities; Ms. Li Xiujie (李秀傑), Ms. Yi Huimin

HISTORY, DEVELOPMENT AND CORPORATE STRUCTURE

(益惠敏), Ms. Song Lifang (宋麗芳) and Ms. Li Shu Lan (李淑蘭) are currently retired; and Mr. Liang Hui (梁輝) is currently the director of Beijing Origin Water Purification Engineering & Technology Co., Ltd.,* (北京碧水源淨水工程技術股份有限公司) a company principally engaged in the provision of water purification services.

Save as disclosed above, to the best knowledge, information and belief of our Directors, each of the Pre-IPO Investors (including their management and ultimate beneficial owners or controllers) do not have any past or present relationships with other Pre-IPO Investors, our Group, our Controlling Shareholders, our Directors and senior management and any of their respective associates.

As advised by our PRC Legal Advisors, the Pre-IPO Investments were legally completed and settled in compliance with the applicable laws and regulations in the PRC in all material respects.

Public Float

The Shares to be held by the Pre-IPO Investors immediately following completion of the Capitalization Issue and the Global Offering will be considered upon Listing as part of the public float for the purposes of Rule 8.08 of the Listing Rules.

Compliance with Interim Guidance and Guidance Letters

On the basis that (i) the completion of the last Pre-IPO Investment occurred 28 clear days before our Company's submission of the application for the Listing; and (ii) all special rights granted to the Pre-IPO Investors were terminated before or immediately before our Company's application for the Listing, the Sole Sponsor confirms that the Pre-IPO Investments are in compliance with (i) the Guidance Letter HKEX-GL29-12; and (ii) the Guidance Letter HKEX-GL43-12.

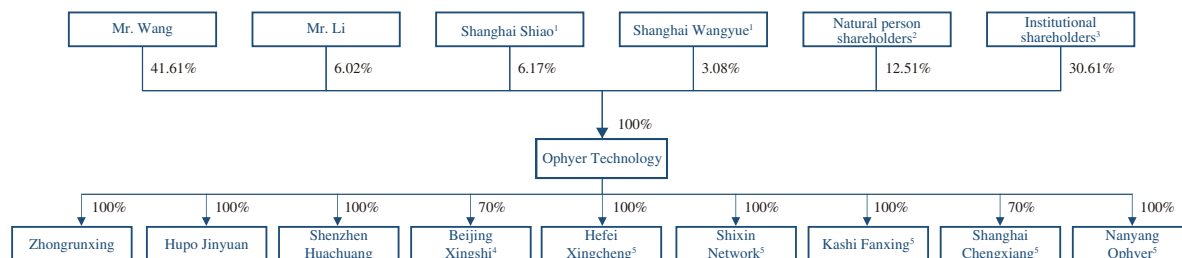
MATERIAL ACQUISITIONS AND DISPOSALS DURING THE TRACK RECORD PERIOD

Save as disclosed in “— Corporate Development — Zhongrunxing” above in this section, we did not conduct any material acquisitions, disposals or mergers during the Track Record Period and up to the Latest Practicable Date.

HISTORY, DEVELOPMENT AND CORPORATE STRUCTURE

REORGANIZATION

The following chart sets forth the corporate structure of our Group immediately prior to our Reorganization:



Notes:

1. Shanghai Shiao and Shanghai Wangyue are both limited partnerships ultimately held as to 85% by Mr. Wang (the general partner) and 15% by Mr. Li (the limited partner).
2. Natural person shareholders comprise Mr. Du Haitao (杜海濤), Mr. Wang Chongling (王崇嶺), Ms. Song Lifang (宋麗芳), Ms. Yi Huimin (益惠敏), Ms. Li Shu Lan (李淑蘭) and Ms. Peng Si (彭思).
3. Institutional shareholders comprise Tongchuang Weiye, Xi'an Zhiyao, SAIF Dynamiques, Grand Canal (Nanjing), Hefei Shuimu, Shaanxi Big Data, Ningbo Midu, Guochuang Feitian, Kaiyuan Future, Tianjin Xinghuo and Xi'an Biye.
4. Beijing Xingshi is 70% owned by Ophyer Technology and 30% owned by Weifang Weiting. As of the Latest Practicable Date, Weifang Weiting was a connected person of our Company by virtue of its equity interest held in Beijing Xingshi, while all of its general partners and limited partners are Independent Third Parties. For details of the shareholding of Weifang Weiting, see the paragraph headed “— Corporate Development — Beijing Xingshi” above in this section.
5. In order to streamline our corporate structure and save administrative cost, Shixin Network, Kashi Fanxing, Shanghai Chengxiang, Nanyang Ophyer and Hefei Xingcheng were deregistered by our Group voluntarily on September 16, 2021, August 9, 2021, July 29, 2021, October 29, 2021 and December 21, 2021, respectively. Before its deregistration, Shanghai Chengxiang was 70% owned by Ophyer Technology and 30% owned by Shanghai Yichi Shijie Digital Technology Co, Ltd.* (上海一尺視界數碼科技有限公司), an Independent Third Party.

In order to optimize our corporate structure to further develop the business of our Group and to more readily access the international capital markets, we underwent a corporate reorganization in preparation for the Global Offering and the Listing, details of which are set out below.

HISTORY, DEVELOPMENT AND CORPORATE STRUCTURE

Onshore Reorganization

Establishment of Beijing Flowing Cloud

On November 17, 2021, Beijing Flowing Cloud was established as a wholly foreign-owned subsidiary of Ophyer HK with a registered capital of RMB10 million and the registered capital was increased to RMB50 million on March 2, 2022. See the section headed “Contractual Arrangements” in this prospectus for details of the arrangements between Beijing Flowing Cloud, the Consolidated Affiliated Entities and the Registered Shareholders.

Contractual Arrangements

In order for us to operate the business of Ophyer Technology and its subsidiaries in compliance with the relevant PRC laws and regulations, Beijing Flowing Cloud entered into the Contractual Arrangements with Ophyer Technology and the Registered Shareholders on December 16, 2021 and with Ophyer Technology and its subsidiaries on May 6, 2022, pursuant to which, all economic benefits arising from the business and operation of Ophyer Technology and its subsidiaries are transferred to Beijing Flowing Cloud by means of service and consultation fees payable by the Consolidated Affiliated Entities to Beijing Flowing Cloud. See the section headed “Contractual Arrangements” in this prospectus for further details.

Deregistration of deregistered entities

We had five subsidiaries during the Track Record Period which had been deregistered, namely Shixin Network, Kashi Fanxing, Shanghai Chengxiang, Nanyang Ophyer and Hefei Xingcheng. Shixin Network was established for games development and advertising agency businesses and had no material operations and material profit or loss since the year ended December 31, 2019. Nanyang Ophyer was established for AR/VR content product research and development and recorded a revenue of nil, approximately RMB9.4 million and approximately RMB11.3 million for 2019, 2020 and 2021, respectively. In order to streamline our corporate structure, we gradually transferred the business of Nanyang Ophyer to other members of our Group and Nanyang Ophyer ceased its business operations in 2021. Kashi Fanxing, Shanghai Chengxiang and Hefei Xingcheng did not carry out any material business operation since their establishment and had no material profit or loss during the Track Record Period. In order to streamline our corporate structure and save administrative costs, Shixin Network, Kashi Fanxing, Shanghai Chengxiang, Nanyang Ophyer and Hefei Xingcheng were deregistered by our Group voluntarily on September 16, 2021, August 9, 2021, July 29, 2021, October 29, 2021 and December 21, 2021, respectively.

HISTORY, DEVELOPMENT AND CORPORATE STRUCTURE

As confirmed by our Directors, during the Track Record Period and up to their respective dates of deregistration, Hefei Xingcheng, Shixin Network, Kashi Fanxing, Shanghai Chengxiang and Nanyang Ophyer were not involved in any material claims, litigations or non-compliant incidents; and the deregistration thereof had no material impact on our Group's financial performance, financial position and cash flows during the Track Record Period.

Establishment of Beijing Digital

On August 18, 2022, Beijing Digital was established in the PRC as a wholly-owned subsidiary of Beijing Flowing Cloud with a registered capital of RMB500,000,000.

Offshore Reorganization

Incorporation of our Company

Our Company was incorporated in the Cayman Islands on June 24, 2021 with an authorized share capital of US\$50,000, divided into 5,000,000,000 ordinary shares of a par value of US\$0.00001 each. Immediately after the incorporation of our Company, one ordinary share was issued and allotted to an initial subscriber, which on the same day was transferred to Wang BVI at the subscription price of US\$0.00001. On the same day, a total of additional 99,999 ordinary shares were issued to Wang BVI at the subscription price of US\$0.99999.

Incorporation of Ophyer BVI and Ophyer HK

On July 19, 2021, Ophyer BVI was incorporated in the BVI as a wholly-owned subsidiary of our Company. Upon its incorporation, 100 shares of Ophyer BVI were allotted and issued to our Company at par value. Ophyer BVI is an investment holding company.

Further, on August 10, 2021, Ophyer HK was incorporated in Hong Kong as a wholly-owned subsidiary of Ophyer BVI. Upon its incorporation, 10,000 shares of Ophyer HK were allotted and issued to Ophyer BVI. Ophyer HK is an investment holding company.

Establishment of the Wang Family Trust

On November 10, 2021, the Wang Family Trust was established as a discretionary trust, with Mr. Wang as the settlor and protector. The beneficiary of the Wang Family Trust is Wang BVI. The Wang Family Trust is established for Mr. Wang's estate planning purposes. Vistra Trust is the trustee of the Wang Family Trust.

HISTORY, DEVELOPMENT AND CORPORATE STRUCTURE

Incorporation of Brainstorming Cafe

Brainstorming Cafe was incorporated in the Cayman Islands on November 5, 2021 with an authorized share capital of US\$50,000, divided into 500,000,000 ordinary shares of a par value of US\$0.0001 each. Immediately after its incorporation, one ordinary share was issued and allotted to an initial subscriber, which on the same day was transferred to Wang BVI at the subscription price of US\$0.0001. On the same day, a total of additional 8,720 shares and 1,279 shares were fully paid up and issued to Wang BVI and Li BVI at the subscription price of US\$0.872 and US\$0.1279, respectively. On November 17, 2021, Wang BVI transferred 6,105 shares to Cyber Warrior, a company incorporated in the BVI by Vistra Trust (the trustee of the Wang Family Trust) as the holding vehicle for the administration of the Wang Family Trust, at a total consideration of US\$0.6105. As of the Latest Practicable Date, Brainstorming Cafe was owned as to 26.16%, 61.05% and 12.79% by Wang BVI, Cyber Warrior and Li BVI, respectively.

Allotment and issue of Shares to offshore holding companies and transfer of Shares from Wang BVI to Brainstorming Cafe

On November 22, 2021 and December 16, 2021, our Company adjusted the shareholding proportion by allotting and issuing an aggregate of 66,509,040 new Shares (including the share issuance in relation to the offshore Pre-IPO Investment) and 49,508,770 new Shares for cash at par value to the shareholders of Ophyer Technology or the holding entities wholly-owned or designated by such shareholders (as the case may be) to reflect their respective equity interest in Ophyer Technology. On December 13, 2021, Wang BVI also transferred 100,000 Shares to Brainstorming Cafe at a total consideration of US\$1.00.

HISTORY, DEVELOPMENT AND CORPORATE STRUCTURE

Upon completion, the shareholding structure of our Company was as follows:

Shareholder	Shareholdings	Percentage of shareholding
Brainstorming Cafe ⁽¹⁾	57,668,950	49.66%
Beijing Cowin Zhiming Technology Partnership (Limited Partnership) ⁽³⁾	7,057,130	6.08%
Xi'an Zhiyao ⁽³⁾	4,750,790	4.09%
SAIF Dynamiques ⁽³⁾	4,704,750	4.05%
Grand Canal (Nanjing) ⁽³⁾	4,704,750	4.05%
Xiujie LI Limited ⁽⁵⁾	4,182,480	3.60%
Hefei Shuimu ⁽²⁾	4,147,130	3.57%
Wangyisong Ltd ⁽²⁾	4,059,640	3.50%
Shaanxi Big Data	3,624,380	3.12%
Ningbo Midu ⁽⁴⁾	2,195,550	1.89%
Shenzhen Linghang ⁽⁵⁾	1,705,470	1.47%
Hainan Yilin ⁽⁵⁾	1,697,350	1.46%
Zhongtong Xinyuan ⁽⁵⁾	1,653,500	1.42%
Guochuang Feitian ⁽³⁾	1,568,250	1.35%
Kaiyuan Future ⁽³⁾	1,568,250	1.35%
Jinan Taiyue ⁽⁵⁾	1,483,020	1.28%
Yi Huimin Ltd. ⁽²⁾	1,219,750	1.05%
Nanchang Xiaolan ⁽⁵⁾	1,218,190	1.05%
Mr. Wang King Cheong Tommy (王景昌) ⁽⁶⁾	1,154,550	0.99%
LH Science and Technology Ltd ⁽⁵⁾	1,136,980	0.98%
Shenzhen Chestnut ⁽⁵⁾	1,136,980	0.98%
Pennysisi Limited ⁽⁴⁾	1,089,930	0.94%
Songlifang Limited ⁽²⁾	871,250	0.75%
Shulanli Limited ⁽⁴⁾	544,970	0.47%
Shanghai Zheji ⁽⁵⁾	495,060	0.43%
Tianjin Xinghuo ⁽⁴⁾	409,310	0.35%
Xi'an Biye ⁽³⁾	69,450	0.06%
Total	116,117,810	100.00%

HISTORY, DEVELOPMENT AND CORPORATE STRUCTURE

Notes:

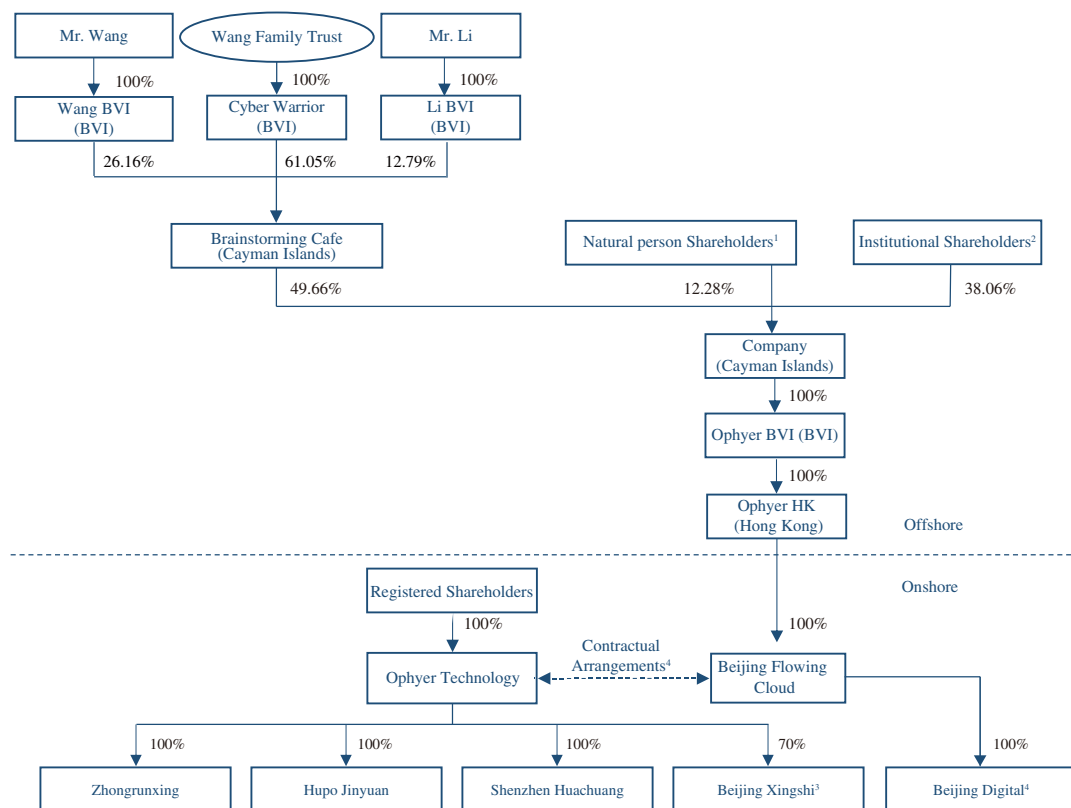
1. Brainstorming Cafe is owned as to 26.16%, 61.05% and 12.79% by Wang BVI, Cyber Warrior and Li BVI, respectively.
2. Round A financing Pre-IPO Investors consist of Mr. Wang Chongling (王崇嶺), Hefei Shuimu, Ms. Song Lifang (宋麗芳) and Ms. Yi Huimin (益惠敏). Mr. Wang Chongling (王崇嶺), Ms. Song Lifang (宋麗芳) and Ms. Yi Huimin (益惠敏) hold their shareholdings in our Company through their BVI companies, namely Wangyisong Ltd, Songlifang Limited, Yi Huimin Ltd., respectively.
3. Round A+ financing Pre-IPO Investors consist of SAIF Dynamiques, Tongchuang Weiye, Guochuang Feitian, Kaiyuan Future, Grand Canal (Nanjing), Xi'an Zhiyao and Xi'an Biyue. Tongchuang Weiye holds its shareholding in our Company through Beijing Cowin Zhiming Technology Partnership (Limited Partnership)* (北京同創致明科技合夥企業(有限合夥)), a limited partnership established in the PRC which is held as to 10% by Xinyu Tongchuang Investment Management Co., Ltd.* (新余同創精選投資管理有限公司) (the general partner, which is a wholly-owned subsidiary of the sole shareholder of the general partner of Tongchuang Weiye (i.e. Shenzhen Cowin Asset Management Co., Ltd.* (深圳同創偉業資產管理股份有限公司)), and 90% by Tongchuang Weiye (the limited partner).
4. Round B financing Pre-IPO Investors consist of Ningbo Midu, Ms. Li Shu Lan (李淑蘭), Ms. Peng Si (彭思) and Tianjin Xinghuo. Ms. Li Shu Lan (李淑蘭) and Ms. Peng Si (彭思) hold their shareholdings in our Company through their BVI companies, namely Shulanli Limited and Pennysisi Limited, respectively.
5. Round C financing Pre-IPO Investors consist of Zhongtong Xinyuan, Nanchang Xiaolan, Ms. Li Xiujie (李秀傑), Mr. Liang Hui (梁輝), Shenzhen Chestnut, Shenzhen Linghang, Jinan Taiyue, Hainan Yilin and Shanghai Zheji. Ms. Li Xiujie (李秀傑) and Mr. Liang Hui (梁輝) hold their shareholdings in our Company through their BVI companies, namely Xiujie LI Limited and LH Science and Technology Ltd, respectively.
6. Mr. Wang King Cheong Tommy (王景昌) is our offshore Pre-IPO Investor.

HISTORY, DEVELOPMENT AND CORPORATE STRUCTURE

CORPORATE STRUCTURE

Corporate structure immediately after the Reorganization and before the Capitalization Issue and the Global Offering

The following chart sets forth our corporate structure immediately after the Reorganization and prior to the completion of the Capitalization Issue and the Global Offering:



Notes:

1. Natural person Shareholders comprise Mr. Wang Chongling (王崇嶺), Ms. Song Lifang (宋麗芳), Ms. Yi Huimin (益惠敏), Ms. Li Shu Lan (李淑蘭), Ms. Peng Si (彭思), Mr. Liang Hui (梁輝), Ms. Li Xiujie (李秀傑) and Mr. Wang King Cheong Tommy (王景昌). Mr. Wang Chongling (王崇嶺), Ms. Song Lifang (宋麗芳), Ms. Yi Huimin (益惠敏), Ms. Li Shu Lan (李淑蘭), Ms. Peng Si (彭思), Mr. Liang Hui (梁輝) and Ms. Li Xiujie (李秀傑) hold their shareholdings in our Company through their respective BVI companies, namely Wangyisong Ltd, Songlifang Limited, Yi Huimin Ltd., Shulanli Limited, Pennysisi Limited, LH Science and Technology Ltd and Xiujie LI Limited, respectively. For details of the shareholding of our Shareholders, see the paragraph headed “— Offshore Reorganization — Allotment and issue of Shares to offshore holding companies and transfer of Shares from Wang BVI to Brainstorming Cafe” in this section.

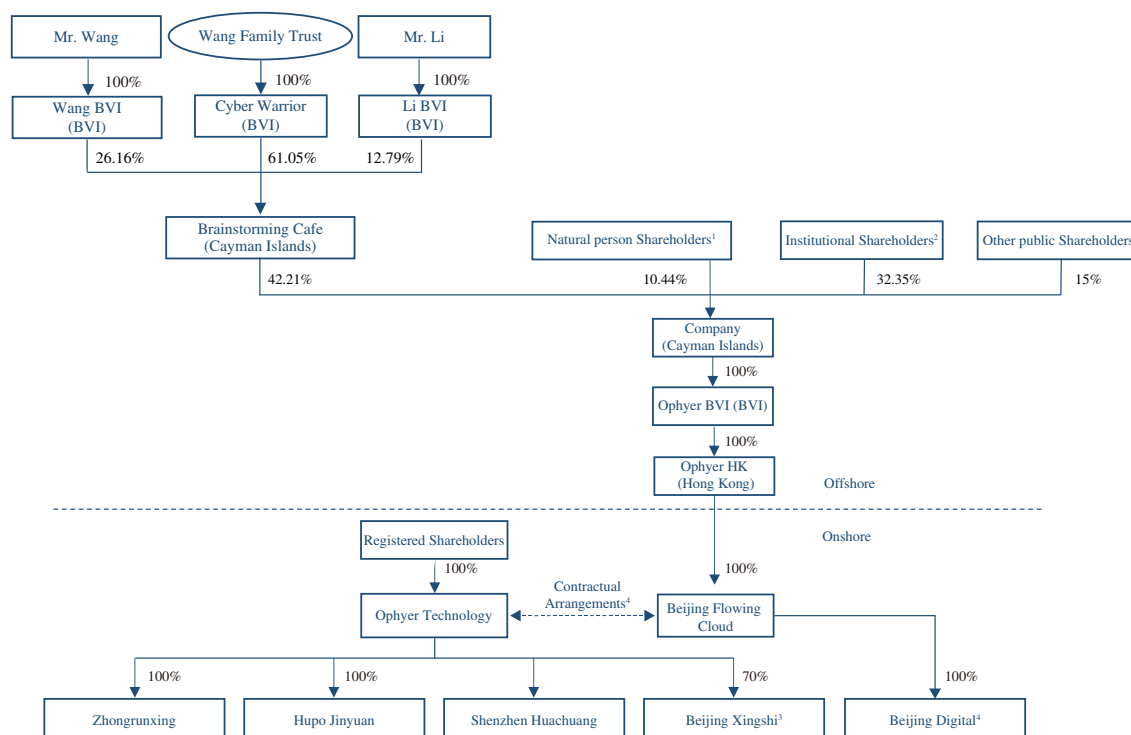
HISTORY, DEVELOPMENT AND CORPORATE STRUCTURE

2. Institutional Shareholders comprise Tongchuang Weiye, Xi'an Zhiyao, SAIF Dynamiques, Grand Canal (Nanjing), Hefei Shuimu, Shaanxi Big Data, Ningbo Midu, Guochuang Feitian, Kaiyuan Future, Tianjin Xinghuo, Xi'an Biyue, Zhongtong Xinyuan, Nanchang Xiaolan, Shenzhen Chestnut, Shenzhen Linghang, Jinan Taiyue, Shanghai Zheji and Hainan Yilin, respectively. Tongchuang Weiye holds its shareholding in our Company through Beijing Cowin Zhiming Technology Partnership (Limited Partnership)* (北京同創致明科技合夥企業(有限合夥)), a limited partnership established in the PRC which is held as to 10% by Xinyu Tongchuang Investment Management Co., Ltd.* (新余同創精選投資管理有限公司) (the general partner), which is a wholly-owned subsidiary of the sole shareholder of the general partner of Tongchuang Weiye (i.e. Shenzhen Cowin Asset Management Co., Ltd. (深圳同創偉業資產管理股份有限公司)), and 90% by Tongchuang Weiye (the limited partner). For details of the shareholding of our Shareholders, see the paragraph headed “Offshore Reorganization — Allotment and issue of Shares to offshore holding companies and transfer of Shares from Wang BVI to Brainstorming Cafe” above in this section.
3. Beijing Xingshi is 70% owned by Ophyer Technology and 30% owned by Weifang Weiting. As of the Latest Practicable Date, Weifang Weiting was a connected person of our Company by virtue of its equity interest held in Beijing Xingshi, while all of its general partners and limited partners are Independent Third Parties. For details of the shareholding of Weifang Weiting, see the paragraph headed “Corporate Development — Beijing Xingshi” above in this section.
4. Beijing Digital was established on August 18, 2022 as a wholly-owned subsidiary of Beijing Flowing Cloud.
5. For details of the Contractual Arrangements, see the section headed “Contractual Arrangements” in this prospectus.

HISTORY, DEVELOPMENT AND CORPORATE STRUCTURE

Corporate structure immediately following the completion of the Capitalization Issue and the Global Offering

The following chart sets forth our corporate structure immediately after the completion of the Capitalization Issue and the Global Offering, assuming that the Over-allotment Option is not exercised, and without taking into account any Shares to be issued upon the exercise of options which may be granted under the Post-IPO Share Option Scheme.



Notes:

1. Natural person Shareholders comprise Mr. Wang Chongling (王崇嶺), Ms. Song Lifang (宋麗芳), Ms. Yi Huimin (益惠敏), Ms. Li Shu Lan (李淑蘭), Ms. Peng Si (彭思), Mr. Liang Hui (梁輝), Ms. Li Xiujie (李秀傑) and Mr. Wang King Cheong Tommy (王景昌), and our Company will be owned by these natural person Shareholders as to 2.97%, 0.64%, 0.89%, 0.40%, 0.80%, 0.83%, 3.06% and 0.85%, respectively. Mr. Wang Chongling (王崇嶺), Ms. Song Lifang (宋麗芳), Ms. Yi Huimin (益惠敏), Ms. Li Shu Lan (李淑蘭), Ms. Peng Si (彭思), Mr. Liang Hui (梁輝) and Ms. Li Xiujie (李秀傑) hold their shareholdings in our Company through their respective BVI companies, namely Wangyisong Ltd, Songlifang Limited, Yi Huimin Ltd., Shulanli Limited, Pennysisi Limited, LH Science and Technology Ltd and Xiujie LI Limited, respectively.
2. Institutional Shareholders comprise Tongchuang Weiye, Xi'an Zhiyao, SAIF Dynamiques, Grand Canal (Nanjing), Hefei Shuimu, Shaanxi Big Data, Ningbo Midu, Guochuang Feitian, Kaiyuan Future, Tianjin Xinghuo, Xi'an Biyue, Zhongtong Xinyuan, Nanchang Xiaolan, Shenzhen Chestnut, Shenzhen Linghang, Jinan Taiyue, Shanghai Zheji and Hainan Yilin, and our Company will be owned by these institutional Shareholders as to 5.17%, 3.48%, 3.44%, 3.44%, 3.04%, 2.65%, 1.61%, 1.15%, 1.15%, 0.30%, 0.05%, 1.21%, 0.89%, 0.83%, 1.25%, 1.09%, 0.36% and 1.24%, respectively. Tongchuang Weiye holds its shareholding in our Company through Beijing Cowin Zhiming

HISTORY, DEVELOPMENT AND CORPORATE STRUCTURE

Technology Partnership (Limited Partnership)* (北京同創致明科技合夥企業(有限合夥)), a limited partnership established in the PRC which is held as to 10% by Xinyu Tongchuang Investment Management Co., Ltd.* (新余同創精選投資管理有限公司) (the general partner), which is a wholly-owned subsidiary of the sole shareholder of the general partner of Tongchuang Weiye (i.e. Shenzhen Cowin Asset Management Co., Ltd.* (深圳同創偉業資產管理股份有限公司)), and 90% by Tongchuang Weiye (the limited partner).

3. Beijing Xingshi is 70% owned by Ophyer Technology and 30% owned by Weifang Weiting. As of the Latest Practicable Date, Weifang Weiting was a connected person of our Company by virtue of its equity interest held in Beijing Xingshi, while all of its general partners and limited partners are Independent Third Parties. For details of the shareholding of Weifang Weiting, see the paragraph headed “— Corporate Development — Beijing Xingshi” in this section.
4. Beijing Digital was established on August 18, 2022 as a wholly-owned subsidiary of Beijing Flowing Cloud.
5. For details of the Contractual Arrangements, see the section headed “Contractual Arrangements” in this prospectus.

PRC REGULATORY REQUIREMENTS

Our PRC Legal Advisors have confirmed that (i) all necessary government approvals and permits from the relevant PRC authorities in respect of the equity transfers and changes in registered capital of the PRC subsidiaries of our Group in this section above have been obtained; and (ii) all the relevant legal procedures were completed in compliance with the relevant PRC laws and regulations. Our PRC Legal Advisors have further advised that the Reorganization (i) has been properly and legally completed and settled from the PRC perspective; and (ii) complies with the relevant PRC laws and regulations and all applicable requisite regulatory approvals have been obtained from the relevant PRC authorities.

SAFE Registration

Pursuant to the Circular on Relevant Issues Concerning Foreign Exchange Administration of Overseas Investment and Financing and Return Investments Conducted by Domestic Residents through Overseas Special Purpose Vehicles (《關於境內居民通過特殊目的公司境外投融資及返程投資外匯管理有關問題的通知》) (the “**SAFE Circular 37**”) promulgated by the SAFE and which became effective on July 4, 2014, (a) a PRC resident must register with the local SAFE branch before he or she contributes assets or equity interests in an overseas special purpose vehicle (the “**Overseas SPV**”) that is directly established or indirectly controlled by the PRC resident for the purpose of conducting investment or financing, and (b) following the initial registration, the PRC resident is also required to register with the local SAFE branch for any major change in respect of the Overseas SPV, including, among other things, a change of the Overseas SPV’s PRC resident shareholder(s), the name of the Overseas SPV, terms of operation, or any increase or reduction of the Overseas SPV’s capital, share transfer or swap, and merger or division. Pursuant to the SAFE Circular 37, failure to comply with these registration procedures may result in penalties.

HISTORY, DEVELOPMENT AND CORPORATE STRUCTURE

Pursuant to the Circular of the SAFE on Further Simplifying and Improving the Direct Investment-related Foreign Exchange Administration Policies (《關於進一步簡化和改進直接投資外匯管理政策的通知》) (the “**SAFE Circular 13**”) promulgated by SAFE and which became effective on June 1, 2015, the power to accept a SAFE registration was delegated from a local SAFE branch to local banks where the assets or interest in the domestic entity was located.

Pursuant to the Administrative Measures on Overseas Investments by Enterprises (《企業境外投資管理辦法》) and other relevant provisions (the “**ODI Rules**”), a domestic institution shall undergo a registration procedure for foreign investment in accordance with the provisions of the ODI Rules, which require the domestic institution to register or file with the relevant authorities prior to its overseas direct investment and obtain relevant recordation, approval, certificate or permit.

As advised by our PRC Legal Advisors, all PRC residents who are our Shareholders have completed the registration under the SAFE Circular 13 and SAFE Circular 37 and all the ultimate PRC institutional shareholders of our Company have completed the overseas direct investment registration with the local MOFCOM pursuant to the ODI Rules in relation to their offshore investments as domestic institutions.

M&A Rules

On August 8, 2006, six PRC Government authorities, comprising MOFCOM, the SASAC, the State Administration of Taxation, SAIC, CSRC and SAFE, jointly issued the M&A Rules, which became effective on September 8, 2006, and was amended on June 22, 2009. The M&A Rules purport, among other things, to require offshore special purpose vehicles formed for overseas listing purposes through acquisitions of PRC domestic companies and controlled by PRC companies or individuals, to obtain the approval of the CSRC prior to publicly listing their securities on an overseas stock exchange. Pursuant to the M&A Rules, a foreign investor is required to obtain necessary approvals when (i) a foreign investor acquires equity in a domestic non-foreign invested enterprise thereby converting it into a foreign-invested enterprise, or subscribes for new equity in a domestic enterprise through an increase of registered capital thereby converting it into a foreign-invested enterprise; or (ii) a foreign investor establishes a foreign-invested enterprise which purchases and operates the assets of a domestic enterprise, or which purchases the assets of a domestic enterprise and injects those assets to establish a foreign-invested enterprise (the “**Regulated Activities**”).

HISTORY, DEVELOPMENT AND CORPORATE STRUCTURE

As advised by our PRC Legal Advisors, given that (i) Beijing Flowing Cloud was established as a wholly foreign-owned enterprise by means of direct investment rather than by merger or acquisition by our Company under the M&A Rules, and (ii) no Regulated Activities were involved in the Reorganization under the M&A Rules, the establishment of Beijing Flowing Cloud and the Reorganization are not subject to the M&A Rules, and the Listing of our Company does not require approval from CSRC or MOFCOM under the M&A Rules. Other than Beijing Flowing Cloud, all of our Consolidated Affiliated Entities have been wholly owned by PRC citizens since their dates of establishment, and as such, the M&A Rules are not applicable.

CONTRACTUAL ARRANGEMENTS

BACKGROUND

The Catalog, which was promulgated and amended from time to time jointly by the MOFCOM and the NDRC, and the Negative List, the latest amended version of which was jointly promulgated by the MOFCOM and the NDRC on December 27, 2021 and took effect from January 1, 2022, stipulate industries in which foreign investment is restricted and prohibited, and all industries not listed under these categories are deemed to be permitted.

As advised by our PRC Legal Advisors, a summary of our businesses that are subject to foreign investment restriction or prohibition in accordance with the Negative List and other applicable PRC laws and regulations (collectively the “**Relevant Businesses**”) is set out below:

Categories	Relevant Businesses
VATS	<p>The business of Ophyer Technology involves the provision of telecommunication and information services through our marketing business conducted online under our AR/VR marketing services business segment, the process of which involves Ophyer Technology, working with media platforms and their agents, developing and customizing the AR/VR interactive content via our Wanjie Smart Marketing Platform and placing advertisements based on such content. In the process, AR/VR interactive content is generated using modules and programs in Ophyer Technology’s web servers in which marketing content is stored and accessed through links, and Ophyer Technology charges fees from customers based on the performance effect of the marketing effort. Such process falls within the scope of VATS.</p> <p>Ophyer Technology, Hupo Jinyuan, Shenzhen Huachuang and Beijing Xingshi each holds an ICP License for the provision of Internet contents, and Ophyer Technology also holds a SP License for the provision of information services.</p> <p>During the Track Record Period, Hupo Jinyuan, Shenzhen Huachuang and Beijing Xingshi had not commenced business that falls within the scope of VATS.</p>

CONTRACTUAL ARRANGEMENTS

Categories	Relevant Businesses
	<p>According to the Negative List, the Administrative Provisions on Foreign-Invested Telecommunications Enterprises (revised in 2016) (《外商投資電信企業管理規定(2016年修訂)》) last amended by the State Council on February 6, 2016 and the 2022 Decision, foreign investors are restricted from holding over 50% equity interest in an entity conducting such business.</p>
Production and operation of radio and television programs	<p>Apart from its principal business in promotion services, the business of Zhongrunxing involves the production of animation videos, which falls within the scope of production and operation of radio and television programs services.</p> <p>Zhongrunxing holds a radio and television programs production business license (the “TPPB License”) for such business issued by the Beijing Municipal Radio and Television Bureau (the “BRTB”).</p> <p>During the Track Record Period, Zhongrunxing had not conducted business that falls within the scope of such business and no revenue was derived from such business.</p> <p>According to the Negative List and the Administrative Provisions for the Production and Operation of Radio and Television Programs 《廣播電視節目製作經營管理規定》 last amended by the National Radio and Television Administration on July 19, 2004, foreign investors are prohibited from investing in such business.</p>

CONTRACTUAL ARRANGEMENTS

VATS BUSINESS

Our PRC Legal Advisors advised that, under the Negative List, the Internet information services, a subcategory of the VATS Business, fall under the category of restricted businesses, and hence foreign investors are restricted from holding more than 50% equity interests in companies providing such business and must satisfy certain qualification requirements. Further, investment in “production and operation of radio and television programs” is still prohibited. During the Track Record Period, the AR/VR marketing services business was our largest source of revenue and primarily comprised AR/VR marketing business conducted online, which is subject to foreign investment restrictions as described above. The principal businesses of our Group also involve the provision of AR/VR content, AR/VR SaaS, IP and other services (the “**Non-restricted Businesses**”), which are not subject to any foreign investment restrictions as these services are not listed under the restricted or prohibited category under the Negative List. Notwithstanding the foreign investment restrictions as described above, we are of the view that the Contractual Arrangements are narrowly tailored for the following reasons:

1. Ophyer Technology is engaged in the VATS Business and possesses the ICP License and the SP License, which are required to carry on the VATS Business.
2. On June 23, 2021, our PRC Legal Advisors and the legal advisors to the Sole Sponsor conducted a consultation with the MIIT (the “**2021 MIIT Consultation**”), the MIIT advised that (i) whether a sino-foreign joint venture or a wholly-foreign-owned enterprise can hold the ICP License and the SP License depends on whether the foreign investors have fulfilled the VATS Qualification Requirements; (ii) there are no detailed rules and standards for the VATS Qualification Requirements; (iii) even if Ophyer Technology introduces a foreign investor and such foreign investor in fact possesses the VATS Qualification Requirements, due to the lack of specific guidelines and approval procedures and/or other policy reasons for the VATS Qualification Requirements, the ICP License and the SP License will not be granted to Ophyer Technology; and (iv) foreign investors’ fulfillment of the VATS Qualification Requirements remains ultimately subject to substantive examination of the MIIT which will be analyzed and determined on a case-by-case basis.

On July 7, 2022, our PRC Legal Advisors and the legal advisors to the Sole Sponsor conducted a phone inquiry with the MIIT through service hotline (the “**2022 MIIT Consultation**”) and relevant MIIT staff confirmed that, (i) while the 2022 Decision has come into effect, which repeals the VATS Qualification Requirements, there are no detailed regulations or guidelines available for the foreign-invested enterprises to apply

CONTRACTUAL ARRANGEMENTS

for an ICP License or SP License at the current stage, (ii) regulations issued by the MIIT including the 2022 Decision which may affect the effectiveness of a VIE structure are currently not available.

Our PRC Legal Advisors are of the view that the 2021 MIIT Consultation and the 2022 MIIT Consultation were made with the competent officers who have the appropriate authority, and the MIIT is the competent and ultimate authority to give the relevant confirmations. Based on the current regulations and policy mainly issued and implemented by the State Council and the MIIT, prudential and consistent practices of competent authorities regarding foreign-invested enterprises engaged in telecommunications business and as explained by the MIIT during the 2022 MIIT Consultation, our PRC Legal Advisors advised that (i) the 2022 Decision does not impose any additional requirements or restrictions on enterprises which have already obtained the VATS business operating license and the above regulatory changes would not affect the validity and the legality of our ICP License and SP License; (ii) even though the VATS Qualification Requirements were repealed, given that there were still no detailed regulations or guidelines available for foreign investment in the VATS business in the PRC, an application by a foreign-invested enterprise for ICP License or SP License will not be approved in practice until detailed regulations or guidelines are issued; and (iii) the 2022 Decision does not have a material adverse impact on our business operations.

Therefore, from the perspective of operating our existing business in a manner that is in compliance with applicable PRC laws and regulations, based on the current policy of the relevant PRC Government authorities and as advised by our PRC Legal Advisors, it is not feasible for us to hold any equity interest in our Consolidated Affiliated Entities to operate the VATS business.

3. The majority of the service contracts with our customers to whom we provide Non-restricted Businesses (the “**Non-restricted Business Customers**”) shall expire upon or will expire within 12 months from the date of the Listing. For the service contracts that subsist after the Listing, except for those set out in 4 to 7 below, we have entered into new or supplemental service contracts with these customers to transfer the contracts of the Non-restricted Businesses entered into by the Consolidated Affiliated Entities from the Consolidated Affiliated Entities to Beijing Flowing Cloud. The table below sets forth the results of our communication with the Non-restricted Business Customers as of the Latest Practicable Date.

CONTRACTUAL ARRANGEMENTS

Type of Non-restricted Businesses	Number of contracts not transferred	Number of contracts transferred	Revenue contribution of Non-restricted Businesses under contracts transferred for the year ended December 31, 2021 ^(Note)	Gross profit contribution of Non-restricted Businesses under contracts transferred for the year ended December 31, 2021 ^(Note)	Value and revenue contribution of Non-restricted Businesses under contracts not transferred as of the Latest Practicable Date
AR/VR content	15 (see (4) below for further details)	one	— Amount: approximately RMB19,000 — Contribution to total revenue: approximately 0.003% — Contribution to total Non-restricted Businesses revenue: approximately 0.01%	— Amount: approximately RMB19,000 — Contribution to total gross profit: approximately 0.01% — Contribution to total Non-restricted Businesses gross profit: approximately 0.02%	— Value of revenue contracts: approximately RMB85.8 million — Revenue already recognized: RMB84.8 million
AR/VR SaaS	193 (see (5) below for further details)	one	— Amount: approximately RMB6.2 million — Contribution to total revenue: approximately 1.04% — Contribution to total Non-restricted Businesses revenue: approximately 1.65%	— Amount: approximately RMB6.2 million — Contribution to total gross profit: approximately 3.49% — Contribution to total Non-restricted Businesses gross profit: approximately 7.01%	— Value of revenue contracts: approximately RMB1.3 million — Revenue already recognized: approximately RMB1.2 million
IP	30 (see (6) below for further details)	one	— Amount: Nil — Contribution to total revenue: Nil — Contribution to total Non-restricted Businesses revenue: Nil	— Amount: Nil — Contribution to total gross profit: Nil — Contribution to total Non-restricted Businesses gross profit: Nil	— Value of revenue contracts: approximately RMB59.1 million — Revenue already recognized: RMB59.1 million
Others	2 (see (7) below for further details)	one	— Amount: Nil — Contribution to total revenue: Nil — Contribution to total Non-restricted Businesses revenue: Nil	— Amount: Nil — Contribution to total gross profit: Nil — Contribution to total Non-restricted Businesses gross profit: Nil	— Value of revenue contracts: approximately RMB1.0 million — Revenue already recognized: Nil

Note:

The figures are based on the unaudited management accounts of the Group.

CONTRACTUAL ARRANGEMENTS

4. As of the Latest Practicable Date, the Consolidated Affiliated Entities had 15 content cooperation contracts regarding the provision of our AR/VR content services, of which two will expire on December 31, 2022, but Ophyer Technology had fulfilled its obligations thereunder. As advised by our PRC Legal Advisors, the transfer of these contracts from the Consolidated Affiliated Entities to Beijing Flowing Cloud is not necessary. Three contracts will expire before August 21, 2023, but the counter-party to this contract refused to enter into a new contract with Beijing Flowing Cloud as they have specific requirements for the establishment period and performance of the contracting party. For the remaining 10 contracts, as advised by our PRC Legal Advisors, (i) the performance of the obligations by the respective parties (including the provision of video content or AR/VR content and payment) under these contracts have all been completed; and (ii) these contracts subsist after the Listing only because the content authorization periods have not yet expired, which will all expire between July 31, 2023 and February 4, 2026. Accordingly, as advised by our PRC Legal Advisors, the transfer of these contracts from the Consolidated Affiliated Entities to Beijing Flowing Cloud is also not necessary.
5. As of the Latest Practicable Date, the Consolidated Affiliated Entities had 193 contracts regarding provision of our AR/VR SaaS services. The 193 subscription contracts are short term contracts that will mostly expire in one year from the date of the contracts. As advised by our PRC Legal Advisors, all of these subscription contracts will expire by December 1, 2022. During the Track Record Period, the revenue generated from our AR/VR SaaS services business was immaterial to us. Our Directors confirm that the revenue to be generated from these AR/VR SaaS services contracts will remain immaterial after the Listing, and the Consolidated Affiliated Entities will not enter into any new contract regarding the provision of our AR/VR SaaS services.
6. As of the Latest Practicable Date, the Consolidated Affiliated Entities had 29 IP licensing contracts and one cooperation agreement regarding the provision of our IP services. As advised by our PRC Legal Advisors, for the 29 IP licensing contracts in force after the Listing, (i) the performance of the obligations by the respective parties (including the licensing of IPs and payment) under these contracts have all been completed; and (ii) these contracts subsist after the Listing only because the licensing periods have not yet expired and the 29 contracts will all expire between November 14, 2022 and November 1, 2025. Accordingly, as advised by our PRC Legal Advisors, the transfer of these contracts from the Consolidated Affiliated Entities to Beijing Flowing Cloud is not necessary. For the IP cooperation agreement, during the validity period of this agreement, the contracting parties may agree on the relevant arrangements to carry out IP licensing cooperation, and the arrangements which have been agreed upon by the parties have been performed. We have no intention to enter into any other further

CONTRACTUAL ARRANGEMENTS

cooperation arrangements with the counterparty under this agreement and we have issued a confirmation letter to confirm that we will not enter into any other further cooperation arrangements with the counterparty under this agreement.

7. As of the Latest Practicable Date, the Consolidated Affiliated Entities had two agreements regarding provision of our other services, of which one will expire before December, 2022 and one will expire on April 8, 2023, but such contracts cannot be transferred from Ophyer Technology to Beijing Flowing Cloud as the counter-party did not agree to transfer the contract from Ophyer Technology to Beijing Flowing Cloud.
8. Our Company expects that all the service contracts regarding Relevant Businesses and the Non-restricted Businesses entered into by the Group will be separately conducted by the Consolidated Affiliated Entities and Beijing Flowing Cloud, respectively, by August 21, 2023. Going forward, all service contracts regarding Relevant Businesses and the Non-restricted Businesses to be entered into by our Group will be separated and conducted by the Consolidated Affiliated Entities and Beijing Flowing Cloud, respectively. For customers that may place order for services under both Relevant Businesses and Non-restricted Businesses, our Company has or will have both Beijing Flowing Cloud and a Consolidated Affiliated Entity listed as signing parties to the service contract separately with each of such customers, and a proper subsidiary of our Company or a Consolidated Affiliated Entity will be assigned to perform under the relevant service contract, to ensure that our business will be conducted in compliance with the “narrowly tailored” requirements for the Contractual Arrangements. Our Company undertakes that it will, as applicable and when necessary, disclose the progress or any updates to the expiration of the service contracts between customers of Non-restricted Businesses and the Consolidated Affiliated Entities in its annual/interim reports or announcements to inform the Shareholders and other investors after the Global Offering.
9. Each of Beijing Xingshi, Hupo Jinyuan and Shenzhen Huachuang holds an ICP License for future business development. As of the Latest Practicable Date, they had not yet commenced the relevant business operations that falls within the scope of VATS. We undertake that each of Beijing Xingshi, Hupo Jinyuan and Shenzhen Huachuang will only conduct businesses that are considered to fall under the scope of VATS, and Zhongrunxing will only conduct businesses that are considered to fall under the scope of VATS or the production and operation of radio and television programs (which requires a TPPB License). If such future businesses are considered to fall under the “permitted” category of the Negative List, or do not form part of the Negative List, we undertake to obtain confirmation and consent from the relevant authorities and the Stock Exchange,

CONTRACTUAL ARRANGEMENTS

and comply with all relevant Listing Rules and guidance letters prior to conducting such businesses under the Contractual Arrangements and where required, to exclude such businesses from the Contractual Arrangements.

VATS Qualification Requirements for foreign investors who invests in VATS in the PRC

On December 11, 2001, the State Council promulgated the Regulations for the Administration of Foreign-Invested Telecommunications Enterprises (《外商投資電信企業管理規定》) (the “**FITE Regulations**”), which were last amended on February 6, 2016. According to the FITE Regulations, foreign investors are not allowed to hold more than 50% of the equity interest in a company providing the VATS, including services provided under the ICP License and the SP License. In addition, a foreign investor who invests in a VATS business in the PRC must possess the VATS Qualification Requirements. Currently, none of the applicable PRC laws, regulations or rules provides clear guidance or interpretation on the VATS Qualification Requirements. The MIIT issued the latest guidance memorandum on the application requirement for establishing foreign-invested telecommunications enterprises in the PRC on January 15, 2021. According to this guidance memorandum, an applicant is required to provide, among other things, the foreign investor’s satisfactory proof of the VATS Qualification Requirements. The guidance memorandum does not provide clear guidance on the proof, record or document required to support the proof satisfying the VATS Qualification Requirements. Further, this guidance memorandum does not purport to provide an exhaustive list on the application requirement with the MIIT.

On July 13, 2006, the Ministry of Information Industry, the predecessor of MIIT, issued the Notice on Strengthening the Administration of Foreign Investment in Operating Value Added Telecommunications Business (《關於加強外商投資經營增值電信業務管理的通知》) (the “**MIIT Notice**”). The MIIT Notice further strengthened regulation over foreign investment in the VATS, including prohibiting domestic telecommunication service providers from leasing, transferring or selling telecommunication business operating licenses to any foreign investor in any form, or requiring domain names and trademarks used by any VATS providers to be held by either the holder of the ICP License and/or the SP License or shareholders of such ICP License and/or the SP License holder. Furthermore, domestic telecommunication service providers are prohibited from providing any resources, premises, facilities and other assistance in any form to foreign investors for their illegal operation of any telecommunications businesses in China. If the ICP License and/or the SP License holder fails to comply with the requirements in the MIIT Notice and fails to remedy its non-compliance within a specified period of time, the MIIT or its local branches may take measures against such license holder, including revoking its ICP License and/or SP License.

Despite the lack of clear guidance or interpretation on the VATS Qualification Requirements, we have been gradually making efforts to build up our track record of overseas VATS business operations for the purpose of being qualified to take up the VATS business, from Ophyer

CONTRACTUAL ARRANGEMENTS

Technology, Hupo Jinyuan, Shenzhen Huachuang and Beijing Xingshi, which are permitted to be held by a foreign investor when there is clear guidance or interpretation of the VATS Qualification Requirements or the restrictions in operating and/or holding the relevant license for the VATS are lifted. In particular, we have taken the following measures to meet the VATS Qualification Requirements:

- (i) we have applied for, and are in the process of the registration of registering trademarks in Hong Kong for the promotion of our VATS businesses overseas; and
- (ii) we have incorporated an overseas subsidiary, namely Ophyer HK, for the further development of overseas marketing to optimize our strategic plan for expanding our current businesses to overseas markets.

On June 10, 2021, our PRC Legal Advisors and the legal advisors to the Sole Sponsor conducted a consultation with the BCA, and on June 23, 2021, our PRC Legal Advisors and the legal advisors to the Sole Sponsor conducted the 2021 MIIT Consultation. The MIIT confirmed that subject to a substantive examination of the MIIT in accordance with the approval procedures under the PRC laws and regulations on whether our Group has fulfilled the VATS Qualification Requirements, the above measures taken by us are reasonable and appropriate in satisfying the VATS Qualification Requirements. Further, the BCA and the MIIT confirmed that (i) the VIE structure for Ophyer Technology to continue to engage in VATS will not violate the relevant PRC laws and regulations in the field of the telecommunication industry in the PRC; (ii) it is not necessary to obtain consent from, or complete any filing or any procedures with the BCA, the MIIT or their superior units regarding the Contractual Arrangements; and (iii) the Contractual Arrangements will not affect our Group's VATS business, the legal validity of the operation licenses, the subsequent renewal of licenses and other procedures for new applications for licenses.

Accordingly, our PRC Legal Advisors are of the view that the above steps taken by us are reasonable and appropriate in relation to the VATS Qualification Requirements. Based on the foregoing, our Directors are of the view that, subject to the discretion of the competent authorities in determining whether we have fulfilled the VATS Qualification Requirements, the above steps taken by us are generally regarded as the relevant factors in relation to the VATS Qualification Requirements. Although we may not be able to meet the VATS Qualification Requirements in the near future, we will, as applicable and when necessary, disclose the progress of our overseas expansion plans and any updates to the VATS Qualification Requirements in our annual and interim reports to inform Shareholders and other investors after the Listing. We will also make appropriate and periodic inquiries to relevant PRC authorities to understand any new regulatory development and assess whether our level of overseas experience is sufficient to meet the VATS Qualification Requirements and consider possible measure to be taken to fulfill the VATS Qualification Requirements.

CONTRACTUAL ARRANGEMENTS

On March 29, 2022, the State Council promulgated the 2022 Decision which came into effect on May 1, 2022. According to the 2022 Decision, the VATS Qualification Requirements as stipulated in the 2016 Regulations were repealed. However, as of the Latest Practicable Date, no applicable PRC laws, regulations or rules had provided clear guidance or interpretation about the 2022 Decision. On July 7, 2022, our PRC Legal Advisors and the legal advisors to the Sole Sponsor conducted the 2022 MIIT Consultation and relevant MIIT staff confirmed that, (i) while the 2022 Decision has come into effect, which repeals the VATS Qualification Requirements and there are no detailed regulations or guidelines available for the foreign-invested enterprises to apply for an ICP License or SP License at current stage, (ii) regulations issued by the MIIT including the 2022 Decision which may affect the effectiveness of a VIE structure are currently not available.

Based on the current regulations and policy mainly issued and implemented by the State Council and the MIIT, prudential and consistent practices of competent authorities regarding foreign-invested enterprises engaged in telecommunications business and as explained by the MIIT during the 2022 MIIT Consultation, our PRC Legal Advisors advised that (i) the 2022 Decision does not impose any additional requirements or restrictions on enterprises which have already obtained the VATS business operating license and the above regulatory changes would not affect the validity and the legality of our ICP License and SP License; (ii) even though the VATS Qualification Requirements had been repealed, given that there were still no detailed regulations or guidelines available for foreign investment in the VATS business in the PRC, an application by a foreign-invested enterprise for ICP License or SP License will not be approved in practice until detailed regulations or guidelines are issued; and (iii) the 2022 Decision does not have a material adverse impact on our business operations.

As advised by our PRC Legal Advisors, as of the Latest Practicable Date, (i) there were no clear guidelines, explanations or criteria in respect of the implementation of the 2022 Decision; and (ii) based on the current regulatory requirements, the above regulatory changes would not affect the validity and the legality of our ICP License and SP License and have no adverse impact on our business operations. As of the Latest Practicable Date, we had not received any inquiry or notice from the competent authorities regarding the validity of our ICP License and SP License. We will closely monitor any future development relating to the 2022 Decision and will take all necessary actions to comply with applicable laws, regulations and specific requirements or guidance.

Our Directors believe that the Contractual Arrangements are fair and reasonable because:

- (i) the Contractual Arrangements were freely negotiated and entered into among, among others, Beijing Flowing Cloud, the Consolidated Affiliated Entities and the Registered Shareholders;

CONTRACTUAL ARRANGEMENTS

(ii) by entering into the Exclusive Technical Consultation and Services Agreement (as defined below), the Consolidated Affiliated Entities will enjoy better economic and technical support from us; and

(iii) a number of other companies use similar arrangements to accomplish the same purpose.

PRODUCTION AND OPERATION OF RADIO AND TELEVISION PROGRAMS BUSINESS

Zhongrunxing holds a TPPB License for future business development. During the Track Record Period, Zhongrunxing had not conducted business that falls within the scope of such business and no revenue was derived from business operations requiring such license.

On June 25, 2021 and December 13, 2021, our PRC Legal Advisors conducted verbal consultations with the officer of the Administrative Approval Office (行政審批處) of the BRTB (the “**BRTB Consultation**”), being the competent authority to confirm matters relating to the operation to and application for the TPPB License, which advised that (i) enterprises with foreign ownership is prohibited from holding the TPPB License; (ii) a granted TPPB License will be revoked once an enterprise has any foreign ownership; and (iii) the Contractual Arrangements would not require the consent from the BRTB and would not affect the holding of the TPPB License by our Group. Our PRC Legal Advisors are of the view that (i) the BRTB is the competent authority to give interpretations on the foreign investment restriction on the industry requiring a TPPB License; and (ii) the officer who attended the BRTB Consultation is of appropriate authority to provide such confirmation on behalf of the BRTB; and (iii) the risk of revocation of the TPPB License of Zhongrunxing as a result of the Contractual Arrangements is remote.

CONTRACTUAL ARRANGEMENTS

As a result of the foregoing, on December 16, 2021 and May 6, 2022, we entered into the Contractual Arrangements. The Contractual Arrangements allow the financials and results of operations of our Consolidated Affiliated Entities to be consolidated into our financials and results of operations under IFRS as if they were wholly-owned subsidiaries of our Company.

Under the Contractual Arrangements, Zhongrunxing, Hupo Jinyuan and Shenzhen Huachuang are wholly-owned subsidiaries of Ophyer Technology, whereas Beijing Xingshi is held as to 70% and 30% by Ophyer Technology and Weifang Weiting, respectively. As advised by our PRC Legal Advisors, while Weifang Weiting is not a party to the Contractual Arrangements, Weifang Weiting does not have any veto or other rights that might affect the Group’s control over Beijing Xingshi, given Ophyer Technology holds over two-thirds of the voting rights at the shareholders’ level of

CONTRACTUAL ARRANGEMENTS

Beijing Xingshi, which allows it to have control over all material matters of Beijing Xingshi. There is no special arrangement or preferential shareholders' right conferred on Weifang Weiting under the articles of association of Beijing Xingshi.

Accordingly, our PRC Legal Advisors are of the view that Ophyer Technology has acquired effective control over Zhongrunxing, Shenzhen Huachuang, Hupo Jinyuan and Beijing Xingshi under the relevant PRC laws and regulation, and we are able to assert management control over the operations of our Relevant Businesses conducted through Ophyer Technology and its subsidiaries, and to enjoy all economic benefits from Ophyer Technology and its subsidiaries.

The Contractual Arrangements comprise: (i) an exclusive technical consultation and services agreement; (ii) exclusive option agreements; (iii) equity pledge agreements; (iv) shareholders' rights entrustment agreements and (v) spouse undertakings, which also include, where appropriate, an obligation on Ophyer Technology to procure each of its subsidiaries to strictly comply with the relevant terms of these agreements.

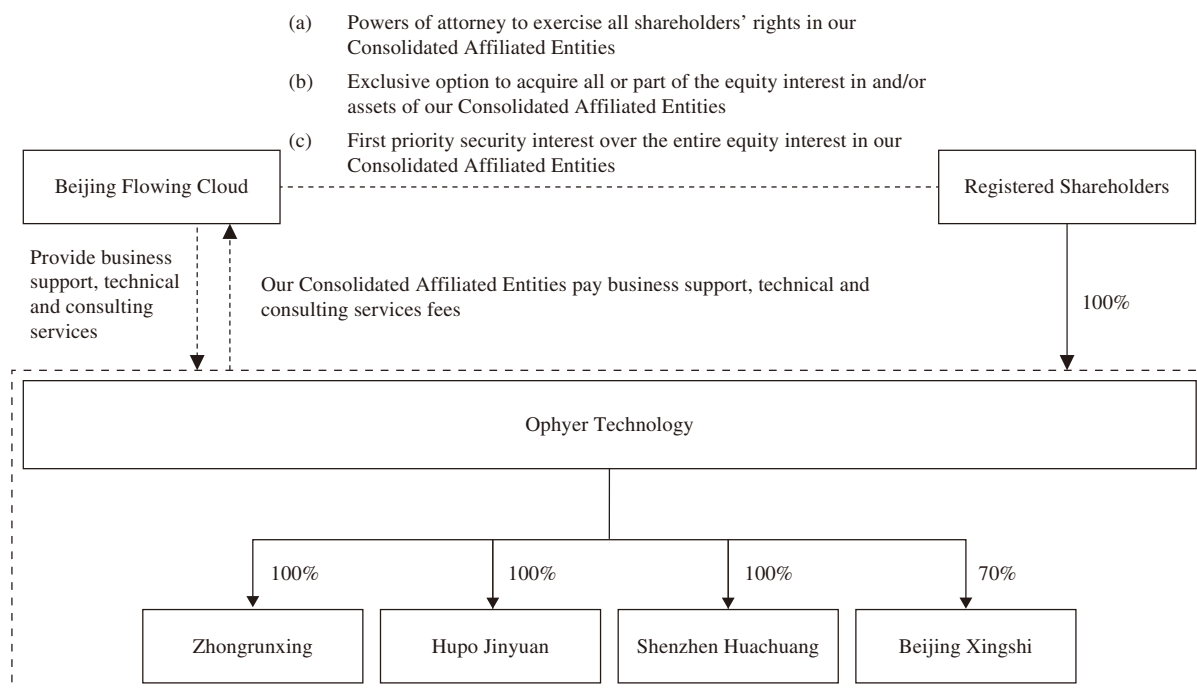
Based on the above, our PRC Legal Advisors are of the view that the Contractual Arrangements can provide sufficient safeguards of the interests of the Shareholders as a whole and the level of protection comparable to direct control over, and recourse against, the operating subsidiaries of Ophyer Technology.

Our Group will unwind and terminate the Contractual Arrangements as soon as practicable in respect of the operation of the Relevant Businesses to the extent permissible and we will directly hold the maximum percentage of equity interests permissible under relevant PRC laws and regulations if the relevant government authority grants the relevant licenses to sino-foreign equity joint ventures or wholly foreign-owned enterprises established or to be established by our Company.

Prior to the Reorganization, both Relevant Businesses and Non-restricted Businesses were conducted by our Consolidated Affiliated Entities. As advised by our PRC Legal Advisors, the Non-restricted Businesses are not subject to any foreign investment prohibition or restriction under applicable PRC laws and regulations and thus we had gradually transferred the contracts of our Non-restricted Businesses from our Consolidated Affiliated Entities to Beijing Flowing Cloud. See the paragraph headed "History, Development and Corporate Structure — Reorganization — Contractual Arrangements" in this prospectus for further details. As of the Latest Practicable Date, all transfers (except those set out in sub-paragraphs 4 to 7 under the paragraph headed "VATS Business" above in this section) had been completed.

CONTRACTUAL ARRANGEMENTS

The following simplified diagram illustrates the flow of economic benefits from our Consolidated Affiliated Entities to our Group stipulated under the Contractual Arrangements:



Notes:

- (1) See “— Shareholders’ Rights Entrustment Agreements” for details.
- (2) See “— Exclusive Option Agreements” for details.
- (3) See “— Equity Pledge Agreements” for details.
- (4) See “— Exclusive Technical Consultation and Services Agreement” for details.
- (5) As of the Latest Practicable Date, our Group was principally engaged in the Relevant Businesses through Ophyer Technology. Our Consolidated Affiliated Entities other than Ophyer Technology which had no substantial operation as of the Latest Practicable Date, are planned to operate the Relevant Businesses in the future.
- (6) “—→” denotes direct legal and beneficial ownership in the equity interest.
 “----→” denotes contractual relationship.

CONTRACTUAL ARRANGEMENTS

Exclusive Technical Consultation and Services Agreement

Beijing Flowing Cloud and our Consolidated Affiliated Entities entered into an exclusive technical consultation and services agreement on May 6, 2022 (the “**Exclusive Technical Consultation and Services Agreement**”), pursuant to which our Consolidated Affiliated Entities agreed to engage Beijing Flowing Cloud as their exclusive provider of comprehensive management and consultation services, including but not limited to:

- (a) to provide information consultation services relating to our Consolidated Affiliated Entities’ principal businesses, and provide our Consolidated Affiliated Entities with advices and recommendations on all aspects of business operations;
- (b) to provide corporate management consultation services, taxation and financial management services, information system services and technical services, promoting our Consolidated Affiliated Entities’ corporate standardization and formation of information management system;
- (c) to provide services relating to market research, market surveys, research consultation and judgment, and provide market information;
- (d) to provide the relevant technical support and staff training for business personnel, and provide advices and recommendations on human resources management;
- (e) to provide management and consultation services in relation to daily operation, finance, investment, assets, credits and debts, human resources, internal informatization and other management and consultation services;
- (f) to provide advices and recommendations on the negotiation, execution and performance of material contracts;
- (g) to provide advices and recommendations on the mergers and acquisitions and other expansion plans of our Consolidated Affiliated Entities;
- (h) to provide customer order management and customer services, and assist in formulating customer maintenance plans and maintaining customer relationships;
- (i) to provide marketing and promotion and publicity services;
- (j) to design, develop, maintain, upgrade and update the corresponding application software required for our Consolidated Affiliated Entities’ business;

CONTRACTUAL ARRANGEMENTS

- (k) to design, install, conduct daily management, maintain and update the computer network system and hardware equipment of our Consolidated Affiliated Entities;
- (l) to provide consultation services in relation to the relevant applications for going through statutory procedures such as all statutory licenses, approvals and permits required for our Consolidated Affiliated Entities to commence operation; and
- (m) other relevant technical services, consultation, operation information, maintenance and management to the extent permitted by laws as requested by our Consolidated Affiliated Entities from time to time.

Pursuant to the Exclusive Technical Consultation and Services Agreement, the service fees shall be equivalent to the total consolidated profit of our Consolidated Affiliated Entities, after offsetting the prior-year losses (if any) and statutory reserve funds (if applicable). Notwithstanding the foregoing, Beijing Flowing Cloud shall have the right to adjust the level of the service fees based on the actual service scope and with reference to the operating conditions and expansion needs of Beijing Flowing Cloud and send the service fee payment notification to our Consolidated Affiliated Entities within 90 days after each fiscal year end for the services provided in the preceding fiscal year. Our Consolidated Affiliated Entities have agreed to pay the service fee after receiving Beijing Flowing Cloud's notification.

In addition, pursuant to the Exclusive Technical Consultation and Services Agreement, without the prior written approval from Beijing Flowing Cloud, our Consolidated Affiliated Entities shall not accept the same or any similar services provided by any third party and shall not establish cooperation relationships similar to that formed by the Exclusive Technical Consultation and Services Agreement with any third party, nor transfer the rights and obligations under the Exclusive Technical Consultation and Services Agreement to any third party.

The Exclusive Technical Consultation and Services Agreement also provides that, (i) all intellectual property rights developed or created during the performance of the Exclusive Technical Consultation and Services Agreement belong to Beijing Flowing Cloud, and (ii) our Consolidated Affiliated Entities shall deal with the intellectual property rights as directed by Beijing Flowing Cloud from time to time, including but not limited to assigning or licensing such rights to Beijing Flowing Cloud or its designee, subject to the laws of the PRC.

The Exclusive Technical Consultation and Services Agreement is effective from the date of its signing for 10 years, which shall be unconditionally renewed at the request of Beijing Flowing Cloud for 10 years and for an indefinite number of successive 10 years thereafter.

CONTRACTUAL ARRANGEMENTS

Our Directors consider that the above arrangement will ensure the economic benefits generated from the operations of our Consolidated Affiliated Entities will flow to Beijing Flowing Cloud and hence, our Group as a whole.

Exclusive Option Agreements

Beijing Flowing Cloud, Ophyer Technology and the Registered Shareholders entered into an exclusive option agreement on December 16, 2021, and Beijing Flowing Cloud, Ophyer Technology, Beijing Xingshi, Hupo Jinyuan, Shenzhen Huachuang and Zhongrunxing entered into an exclusive option agreement on May 6, 2022 (collectively, the “**Exclusive Option Agreements**”, each an “**Exclusive Option Agreement**”), pursuant to which Beijing Flowing Cloud has the exclusive rights to request the Registered Shareholders and Ophyer Technology to transfer all or part of their equity interests in our Consolidated Affiliated Entities and/or to request our Consolidated Affiliated Entities to transfer all or part of its assets to Beijing Flowing Cloud and/or any third party designated by it, in whole or in part at any time and from time to time, at a minimum purchase price permitted under PRC laws and regulations. The respective Registered Shareholders and Ophyer Technology have also undertaken that, subject to the relevant PRC laws and regulations, if such minimum purchase price is more than nil consideration, they will return the purchase price they have received in full to Beijing Flowing Cloud and/or a third party designated by it.

Pursuant to the Exclusive Option Agreements, the respective Registered Shareholders and our Consolidated Affiliated Entities unconditionally and irrevocably undertake, without the prior written consent of Beijing Flowing Cloud, including but not limited to the following matters:

- (a) not to supplement, change or amend the articles of association of our Consolidated Affiliated Entities, or change the registered capital or capital structure, in any forms;
- (b) maintain its corporate existence in accordance with good business standard and practices, obtain and maintain all necessary government licences and permits by prudently and effectively operating its business;
- (c) not to sell, transfer, pledge or otherwise deal with any assets (except for assets used during the course of its daily business operations of less than RMB one million), business or revenue or allow to impose any security interest on its assets (except for security interest imposed during the course of its daily business operations);
- (d) to ensure the valid existence of the Consolidated Affiliated Entities and that the Consolidated Affiliated Entities will not be liquidated or dissolved;

CONTRACTUAL ARRANGEMENTS

- (e) not to incur, inherit, guarantee or allow the existence of any debt, except for debts generated during the course of its daily business operations or debts disclosed to and agreed by Beijing Flowing Cloud;
- (f) not to perform any actions that may adversely affect our Consolidated Affiliated Entities' business status and asset value;
- (g) not to enter into any material contracts with a contract value of more than RMB one million with any entity except for contracts entered during the course of its daily business operations or entered with Beijing Flowing Cloud and its shareholder or its subsidiaries;
- (h) not to procure our Consolidated Affiliated Entities to lend any loan, or provide guarantee or any other form of guarantee, or any material undertakings for any entity;
- (i) regularly provide Beijing Flowing Cloud with all operations and financial information about our Consolidated Affiliated Entities' business at the request of Beijing Flowing Cloud;
- (j) purchase and maintain insurance related to our Consolidated Affiliated Entities' assets and business from the insurance company accepted by Beijing Flowing Cloud;
- (k) not to procure or agree to any partnership, joint venture or merger between our Consolidated Affiliated Entities and any other entity or invest in anyone, except for an acquisition or investment amount less than RMB one million;
- (l) immediately notify Beijing Flowing Cloud of the occurrence or possible occurrence of any litigation, arbitration or administrative proceedings relating to its assets, business or revenue, or any event that may adversely affect its existence, business operation, financial situation, asset or goodwill;
- (m) not to procure our Consolidated Affiliated Entities to declare or distribute any distributable profits or dividends without Beijing Flowing Cloud's prior written consent; and
- (n) appoint or replace any director, supervisor or any other management of our Consolidated Affiliated Entities according to Beijing Flowing Cloud's request.

CONTRACTUAL ARRANGEMENTS

The Exclusive Option Agreements have a term of ten years and may be renewed by Beijing Flowing Cloud after expiration unless all the equity interests in and assets of our Consolidated Affiliated Entities have been transferred to Beijing Flowing Cloud or its designated entities or individuals. To the extent permitted under PRC laws, our Consolidated Affiliated Entities and the respective Registered Shareholders are not contractually entitled to unilaterally terminate the Exclusive Option Agreements with Beijing Flowing Cloud.

In addition, the respective Registered Shareholders and Ophyer Technology undertake that (i) in case they receive any dividends or other profit distributions from our Consolidated Affiliated Entities, they shall return to the same to Beijing Flowing Cloud; and (ii) in case they receive any proceeds from transfer of equity interests in our Consolidated Affiliated Entities, or any distributions upon liquidation of our Consolidated Affiliated Entities, they shall return to Beijing Flowing Cloud such proceeds or distribution they receive.

Equity Pledge Agreements

Beijing Flowing Cloud, the Registered Shareholders and Ophyer Technology entered into an equity pledge agreement on December 16, 2021, and Beijing Flowing Cloud, Ophyer Technology, Beijing Xingshi, Hupo Jinyuan, Shenzhen Huachuang and Zhongrunxing entered into an equity pledge agreement on May 6, 2022 (collectively, the **“Equity Pledge Agreements”**, each an **“Equity Pledge Agreement”**), pursuant to which each of the respective Registered Shareholders and Ophyer Technology irrevocably and unconditionally agreed to pledge all of their respective equity interests in our Consolidated Affiliated Entities to Beijing Flowing Cloud as security interest to guarantee the performance of contractual obligations of the registered shareholders and the payment of outstanding debts by our Consolidated Affiliated Entities under the Contractual Arrangements.

Under the Equity Pledge Agreements, if our Consolidated Affiliated Entities declare dividends during the term of the pledge, Beijing Flowing Cloud or its designee is entitled to receive all such dividends, bonus issue or other income arising from the pledged equity interest, if any. In addition, pursuant to the Equity Pledge Agreements, each of the respective registered shareholders and our Consolidated Affiliated Entities has undertaken to Beijing Flowing Cloud that, among other things, not to transfer his/her/its equity interests in our Consolidated Affiliated Entities or create or allow any pledge on the pledged equity without Beijing Flowing Cloud’s prior written consent.

The Equity Pledge Agreements came into effect on upon the execution date and shall remain valid until (i) the final repayment and performance of the secured debt and contractual obligations secured by the pledge; (ii) the respective Registered Shareholders have transferred their entire equity interests in our Consolidated Affiliated Entities to Beijing Flowing Cloud and/or its

CONTRACTUAL ARRANGEMENTS

designee or our Consolidated Affiliated Entities have transferred all of their assets to Beijing Flowing Cloud and/or its designee, pursuant to the applicable PRC laws and regulations, and the Listing Rules; (iii) Beijing Flowing Cloud exercises its unilateral right of termination; or (iv) the agreement is terminated in accordance with or as required by the applicable PRC laws and regulations.

If an event of default (as provided in the Equity Pledge Agreements) occurs, unless it is successfully resolved to Beijing Flowing Cloud's satisfaction within 30 days after such default event is identified, Beijing Flowing Cloud may demand the respective Registered Shareholders and our Consolidated Affiliated Entities to immediately pay all outstanding amounts due under the Exclusive Technical Consultation and Services Agreement, repay any loans and make all other payments due to it and/or dispose of the pledged equity interest. As of the Latest Practicable Date, the registration of the pledge of equity interest as required by the relevant laws and regulations had completed in accordance with its terms under the equity pledge agreements dated December 16, 2021 and May 6, 2022, respectively, and PRC laws and regulations.

Shareholders' Rights Entrustment Agreements

Ophyer Technology, the Registered Shareholders and Beijing Flowing Cloud entered into an shareholders' voting rights entrustment agreement on December 16, 2021, and Beijing Flowing Cloud, Ophyer Technology, Beijing Xingshi, Hupo Jinyuan, Shenzhen Huachuang and Zhongrunxing entered into an shareholders' voting rights entrustment agreement on May 6, 2022 (collectively, the **"Shareholders' Rights Entrustment Agreements"**, each a **"Shareholders' Rights Entrustment Agreement"**), pursuant to which, each of the respective Registered Shareholders and Ophyer Technology irrevocably, unconditionally and exclusively, through their respective powers of attorney, appoints Beijing Flowing Cloud or its designated person (including our Directors and their successors and liquidator replacing our Directors but excluding the Registered Shareholders and Ophyer Technology), as his/her/its attorney-in-fact to exercise such shareholder's rights in our Consolidated Affiliated Entities, including without limitation to, the rights to:

- (a) propose to convene, participate in and attend general meetings of our Consolidated Affiliated Entities on behalf of the registered shareholders, and sign the minutes and resolutions of the meetings;
- (b) exercise voting rights on all matters which are subject to discussions and resolutions of the shareholders of our Consolidated Affiliated Entities in general meetings (including but not limited to the designation, appointment or replacement of directors and supervisors of our Consolidated Affiliated Entities;

CONTRACTUAL ARRANGEMENTS

- (c) exercise other voting rights which the shareholders of our Consolidated Affiliated Entities are entitled to in accordance with the articles of association (as amended from time to time);
- (d) decide to transfer or otherwise dispose of the equity interests in our Consolidated Affiliated Entities held by the Registered Shareholders and Ophyer Technology;
- (e) submit any document for filing purpose to the competent authorities on behalf of the Registered Shareholders and Ophyer Technology;
- (f) take over the property on behalf of the Registered Shareholders after dissolution or liquidation of our Consolidated Affiliated Entities;
- (g) receive any profit distribution or dividend in accordance with PRC laws and regulations and the articles of association of our Consolidated Affiliated Entities; and
- (h) exercise other shareholders' rights as specified in applicable PRC laws and regulations and the articles of association of our Consolidated Affiliated Entities (as amended from time to time).

Spouse Undertakings

The spouse of each of the Registered Shareholders, where appropriate, has signed an unconditional and irrevocable undertaking (the “**Spouse Undertakings**”) to the effect that, among others:

- (a) the spouse has been made fully aware of the Contractual Arrangements and consented to the execution of the Contractual Arrangements by such Registered Shareholder and shall not prejudice or hinder the enforcement of the Contractual Arrangements and the equity interest in Ophyer Technology held and to be held by each of the Registered Shareholders (together with any other interest therein) do not fall within the scope of communal properties;
- (b) in the event that the spouse obtains any equity interest in Ophyer Technology, he/she will be subject to and abide by the terms of the Contractual Arrangements, and at the request of Beijing Flowing Cloud, he/she will sign any documents in the form and substance consistent with the Contractual Arrangements;
- (c) no authorization or consent from the relevant spouse is required regarding the performance, modification or termination of the Contractual Arrangements; and

CONTRACTUAL ARRANGEMENTS

(d) no claim or action against the Contractual Arrangements will be taken by the spouse.

Confirmations from the Registered Shareholders

Each of the Registered Shareholders undertakes to Beijing Flowing Cloud that, in the event of death, divorce, bankruptcy, liquidation or other circumstances regarding the Registered Shareholders which may affect the exercise of its/his/her direct or indirect equity interests in Ophyer Technology, the Registered Shareholder's successor, liquidator and any other person/entity which may as a result of the above events obtain the equity interest or relevant rights directly or indirectly shall not prejudice or hinder the enforcement of the Contractual Arrangements.

Dispute Resolution

Each of the agreements under the Contractual Arrangements contains a dispute resolution provision. Pursuant to such provision, in the event of any dispute arising from the performance of or relating to the Contractual Arrangements where the agreement cannot be reached within thirty days, the relevant dispute shall be submitted to the China International Economic and Trade Arbitration Commission (中國國際經濟貿易仲裁委員會) for arbitration, in accordance with the then effective arbitration rules. The arbitration shall be conducted in Beijing and the language used during arbitration shall be Chinese. The arbitration award shall be final and binding on all parties. The dispute resolution provisions also provide that the arbitral tribunal may award remedies over the shares or assets of our Consolidated Affiliated Entities or injunctive relief or order the winding up of our Consolidated Affiliated Entities. Any party may apply to the courts of Hong Kong, the Cayman Islands (being the place of incorporation of our Company), the PRC and the places where the principal assets of our Consolidated Affiliated Entities are located for interim remedies or injunctive relief.

However, our PRC Legal Advisors have advised that an arbitral tribunal normally would not grant such kind of injunctive relief or order the winding up of our Consolidated Affiliated Entities pursuant to the current PRC laws. In addition, interim remedies or enforcement order granted by overseas courts such as Hong Kong and the Cayman Islands may not be recognizable or enforceable in the PRC. As a result of the above, in the event that our Consolidated Affiliated Entities or the registered shareholders breach any of the Contractual Arrangements, we may not be able to obtain sufficient remedies in a timely manner. See the paragraph headed "Risk Factors — Risks Relating to Our Contractual Arrangements" in this prospectus for further details.

CONTRACTUAL ARRANGEMENTS

Succession

Under the Exclusive Option Agreements, Equity Pledge Agreements and Shareholders' Rights Entrustment Agreements, each of the respective Registered Shareholders, where appropriate, has confirmed and undertaken to the effect that in the event of his/her death, incapacity, marriage, divorce or any other event which causes his/her inability to exercise his/her rights as a shareholder of our Consolidated Affiliated Entities, his/her successors (including his spouse, children, parents, siblings and grandparents) will success his/her rights and obligations under the Contractual Arrangements as if he/she was a party to relevant agreements.

The spouse of each of the Registered Shareholders, where applicable, has also signed a Spouse Undertaking to the effect, among others, that if he/she has obtained any equity interests in Ophyer Technology for whatever reasons, he/she, his/her successors, agents and/or property administrators will unconditionally be bound by the Contractual Arrangements as if he/she is a party to the relevant agreements.

Conflict of Interest

The Shareholders' Rights Entrustment Agreements provide that, in order to avoid potential conflict of interest, where the Registered Shareholders are directors or personnel of our Company, the power of attorney is granted in favor of other unrelated directors or personnel of our Company. Any director or personnel of our Company who are related to the registered shareholders shall not participate in the decisions in relation to the Contractual Arrangements.

In addition, under the Shareholders' Rights Entrustment Agreements, the registered shareholders have undertaken that their authorities under the powers of attorney will not give rise to any actual or potential conflict of interest with Beijing Flowing Cloud, its overseas holding companies and/or its trustee. In the event of any potential conflict of interest between the registered shareholders, our Consolidated Affiliated Entities and Beijing Flowing Cloud, its overseas holding companies, and/or its subsidiaries directly or indirectly held, the registered shareholders will give priority to protect and not prejudice the interests of Beijing Flowing Cloud, its overseas holding companies, and/or its subsidiaries directly or indirectly held.

CONTRACTUAL ARRANGEMENTS

Further, each of the Registered Shareholders has given their irrevocable undertakings under the Exclusive Option Agreements, Equity Pledge Agreements and Shareholders' Rights Entrustment Agreements to take following measures to address potential conflicts of interests that may arise in connection with the Contractual Arrangements:

- (a) the Registered Shareholders have undertaken not to sign any document or make any commitment which has conflict of interest with the legal documents signed by our Consolidated Affiliated Entities or Beijing Flowing Cloud and its designees;
- (b) the Registered Shareholders shall not act or shall refrain from acting in a manner that causes a conflict of interest between the registered shareholders and Beijing Flowing Cloud, its shareholders and affiliates;
- (c) if a conflict of interest as described above arises (and Beijing Flowing Cloud shall be entitled to decide unilaterally whether such conflict of interest arises), the Registered Shareholders shall take measures to eliminate it as promptly as possible with the consent of Beijing Flowing Cloud or its designee; and
- (d) if the registered shareholders refuse to take measures to eliminate conflicts of interest, Beijing Flowing Cloud and/or our designee shall have the right to exercise the right to purchase under the Exclusive Option Agreements. If PRC laws and regulations prohibit or restrict Beijing Flowing Cloud and/or its designee from exercising the purchase rights under the Exclusive Option Agreements at the time being, Beijing Flowing Cloud has the right to take necessary measures to eliminate the conflict of interest, and the Registered Shareholders promise to cooperate with relevant procedures unconditionally.

Loss Sharing

As advised by our PRC Legal Advisors, under the relevant PRC laws and regulations, none of our Company and Beijing Flowing Cloud is legally required to share the losses of, or provide financial support to, our Consolidated Affiliated Entities. Further, our Consolidated Affiliated Entities are limited liability companies and shall be solely liable for their own debts and losses with assets and properties owned by them. Beijing Flowing Cloud intends to continuously provide to or assist our Consolidated Affiliated Entities in obtaining financial support when deemed necessary. In addition, given that our Group conducts a substantial portion of its business operations in the PRC through our Consolidated Affiliated Entities, which hold the requisite PRC operational licenses and approvals, and that their financial position and results of operations are consolidated into our Group's financial statements under the applicable accounting principles, our Company's business, financial position and results of operations would be adversely affected if our Consolidated Affiliated Entities suffer losses.

CONTRACTUAL ARRANGEMENTS

Liquidation

Pursuant to the Exclusive Option Agreements, in the event of a mandatory liquidation required by the PRC laws, the respective Registered Shareholders and Ophyer Technology shall transfer all remaining assets they received to Beijing Flowing Cloud or its designated person, at the lowest price as permitted by the PRC laws. The respective Registered Shareholders and Ophyer Technology shall return Beijing Flowing Cloud or its designated person any income (if any) arising from such transaction within ten days after receiving.

Insurance

Our Company does not maintain an insurance policy to cover the risks relating to the Contractual Arrangements.

Our Confirmation

As of the Latest Practicable Date, we had not encountered any interference or encumbrance from any PRC governing bodies in operating our business through our Consolidated Affiliated Entities under the Contractual Arrangements.

Termination

The Contractual Arrangements came into effect from the date of the respective agreements, until they are terminated (i) upon the transfer of the entire equity interest held by the respective registered shareholders and/or the transfer of all the assets of our Consolidated Affiliated Entities to Beijing Flowing Cloud or its designated person; (ii) when Beijing Flowing Cloud exercises its unilateral right of termination; or (iii) when the agreements are terminated in accordance with applicable PRC laws and regulations.

CONTRACTUAL ARRANGEMENTS

LEGALITY OF THE CONTRACTUAL ARRANGEMENTS

Based on the above, our PRC Legal Advisors are of the opinion that the Contractual Arrangements are narrowly tailored to minimize the potential conflict with relevant PRC laws and regulations and that:

- (a) Beijing Flowing Cloud, our Consolidated Affiliated Entities and each of the respective Registered Shareholders and their spouses (if applicable) are legally established and validly subsisting entities or natural persons with full civil capacity. The aforesaid persons have qualifications and capabilities to enter into the Contractual Arrangements and have obtained necessary internal approval and authorization for the execution and performance of the Contractual Arrangements. Each of the agreements under the Contractual Arrangements is effective;
- (b) the execution and performance of the Contractual Arrangements do not violate the provisions of “malicious collusion is conducted to damage others’ legitimate rights and interests” and other mandatory provisions as stipulated in Civil Code of the PRC (《中華人民共和國民法典》) and the agreements under the Contractual Arrangements would not be deemed as “concealing illegal intentions with a lawful form” because the agreements under the Contractual Arrangements were not entered into for illegitimate purposes;
- (c) the contents, execution and performance of the Contractual Arrangements do not violate any provisions of the articles of association of Beijing Flowing Cloud, our Consolidated Affiliated Entities or the respective Registered Shareholders that are entities;
- (d) parties to each of the Contractual Arrangements are not required to obtain any approvals or authorizations from the PRC governmental authorities, except that:
 - (i) the exercise of the option by Beijing Flowing Cloud of its rights under the Exclusive Option Agreements to acquire all or part of the equity interest in our Consolidated Affiliated Entities are subject to the approvals of and/or registrations with the PRC regulatory authorities;
 - (ii) any equity pledge contemplated under the Equity Pledge Agreements is subject to the registration with local administration bureau for industry and commerce; and
 - (iii) the arbitration awards/interim remedies provided under the dispute resolution provision of the Contractual Arrangements shall be recognized by the PRC courts before compulsory enforcement;

CONTRACTUAL ARRANGEMENTS

- (e) each of the Contractual Arrangements is valid, legal and binding under PRC laws including but not limited to the Foreign Investment Law and the Negative List, except the Contractual Arrangements provide that any dispute shall be submitted to the Beijing Court of International Arbitration for arbitration, in accordance with the then effective arbitration rules. The arbitration shall be conducted in Beijing. They also provide that the arbitrator may award interim remedies over the shares or assets of our Consolidated Affiliated Entities, including compensation, injunctive relief (including but not limited to injunctive relief relating to the conduct of business and injunctive relief compelling transfer of assets), enforce the contract or order the winding up of our Consolidated Affiliated Entities; and the courts of Hong Kong, the Cayman Islands (being the place of incorporation of our Company) and the PRC (being the place of establishment of our Consolidated Affiliated Entities) also have jurisdiction for the grant and/or enforcement of the arbitral award and the interim remedies against the shares or properties of our Consolidated Affiliated Entities. However, the interim remedies or enforcement order granted by overseas courts such as those of Hong Kong and the Cayman Islands may not be recognisable or enforceable in the PRC.

We have been advised by our PRC Legal Advisors, however, that there is substantial uncertainty regarding the interpretation and application of current and future PRC laws. Accordingly, there can be no assurance that the PRC regulatory authorities will not in the future take a view that is contrary to the above opinion of our PRC Legal Advisors. We have been further advised by our PRC Legal Advisors that if the PRC Government finds that the Contractual Arrangements do not comply with the PRC Government restrictions on foreign investment in the relevant business, we could be subject to penalties.

Based on the above analysis and advice from our PRC Legal Advisors, our Directors are of the view that the adoption of the Contractual Arrangements is unlikely to be deemed ineffective or invalid under the applicable PRC laws and regulations, and except for the relevant arbitration clauses as described in “— Dispute Resolution” above in this section, each of the agreements under the Contractual Arrangements is enforceable under the PRC laws and regulations. Our PRC Legal Advisors are of the view that the authorities and the personnel consulted in the consultations with the MIIT, the BCA and the BRTB are competent and authorized to interpret the relevant laws, regulations and rules of the PRC for the industry in which our Company operates its business and make the abovementioned oral confirmations.

Given that the Contractual Arrangements will constitute non-exempt continuing connected transactions of our Company upon the Global Offering, a waiver has been sought from and has been granted by the Stock Exchange, details of which are disclosed in the section headed “Continuing Connected Transactions” in this prospectus.

CONTRACTUAL ARRANGEMENTS

ACCOUNTING ASPECTS OF THE CONTRACTUAL ARRANGEMENTS

Consolidation of Financial Results of our Consolidated Affiliated Entities

Under the Exclusive Technical Consultation and Services Agreement, it was agreed that, in consideration of the services provided by Beijing Flowing Cloud, our Consolidated Affiliated Entities will pay service fees to Beijing Flowing Cloud. The service fees, subject to Beijing Flowing Cloud's adjustment, are equal to the total profit after tax of our Consolidated Affiliated Entities, after offsetting the prior-year loss (if any) and the statutory reserve funds (if applicable).

The entirety of the total consolidated profit of our Consolidated Affiliated Entities (net of accumulated deficit of the Consolidated Affiliated Entities in the previous financial years (if any), costs, expenses, taxes and payments required by the relevant laws and regulations to be reserved or withheld). Beijing Flowing Cloud may adjust the service fees based on the actual service scope and with reference to the operating conditions and expansion needs of the Consolidated Affiliated Entities. Beijing Flowing Cloud also has the right to periodically receive or inspect the accounts of our Consolidated Affiliated Entities. Accordingly, Beijing Flowing Cloud has the ability, at its sole discretion, to receive substantially all of the economic benefit of our Consolidated Affiliated Entities through the Exclusive Technical Consultation and Services Agreement.

In addition, under the Exclusive Technical Consultation and Services Agreement and the Exclusive Option Agreements, Beijing Flowing Cloud has absolute contractual control over the distribution of dividends or any other amounts to the equity holders of our Consolidated Affiliated Entities as Beijing Flowing Cloud's prior written consent is required before any distribution can be made. In the event that the respective Registered Shareholders and Ophyer Technology receive any profit distribution or dividend from our Consolidated Affiliated Entities, the Registered Shareholders and Ophyer Technology must immediately pay or transfer such amount to Beijing Flowing Cloud.

As a result of these Contractual Arrangements, our Company has obtained control of our Consolidated Affiliated Entities through Beijing Flowing Cloud and, at our Company's sole discretion, can receive all of the economic interest returns generated by our Consolidated Affiliated Entities. Accordingly, our Consolidated Affiliated Entities' results of operations, assets and liabilities, and cash flows are consolidated into our Company's financial statements.

In this regard, our Directors consider that our Company can consolidate the financial results of our Consolidated Affiliated Entities into our Group's financial information as if they were our Company's subsidiaries. The basis of consolidating the results of our Consolidated Affiliated Entities is disclosed in Note 2 to the Accountants' Report in Appendix I to this Prospectus.

CONTRACTUAL ARRANGEMENTS

DEVELOPMENT IN LEGISLATION ON FOREIGN INVESTMENT IN MAINLAND CHINA

On March 15, 2019, the Foreign Investment Law was formally passed by the 13th NPC and took effect on January 1, 2020. The Foreign Investment Law stipulates forms of foreign investment as below:

- foreign investors set up foreign invested enterprises in China severally or jointly with other investors;
- foreign investors acquire shares, equity, properties shares or other similar interest in any domestic enterprise;
- foreign investors invest in new projects in China severally or jointly with other investors; and
- foreign investors invest through any other methods under laws, administrative regulations, or provisions prescribed by the State Council.

The Foreign Investment Law stipulates that the Negative List is applied in certain industry sectors. The Negative List set out in the Foreign Investment Law classified the relevant prohibited and restricted industries into the catalog of prohibitions and the catalog of restrictions, respectively. Where any foreign investor directly or indirectly holds shares, equity, properties or other interest in any domestic enterprise, such domestic enterprise is not allowed to invest in any sector set out in the catalog of prohibitions. Foreign investors are allowed to invest in sectors set out in the catalog of restrictions, subject to certain conditions. Foreign investors are allowed to invest in any sector beyond the Negative List and shall be managed on the same basis as domestic investments.

Where a foreign investor invests in the sectors specified in the catalog of prohibitions, the relevant competent departments shall order it to stop the investment activities, and dispose of the shares, properties or other necessary measures within a time limit to restore the state before the investment is implemented and the illegal income shall be confiscated (if any). Where the investment activities of a foreign investor violate the restrictive special management measures stipulated in the sectors specified in the catalog of restrictions, the relevant competent departments shall order it to make corrections and take necessary measures to meet the requirements for access to special management measures. Where the offender refuses to make corrections, punishments are implemented according to the provisions of the preceding paragraph.

CONTRACTUAL ARRANGEMENTS

Impact and potential consequences of the Foreign Investment Law on the Contractual Arrangements

Our PRC Legal Advisors have advised that, since Contractual Arrangements are not specified as foreign investments under the Foreign Investment Law, and if future laws, administrative regulations, provisions of the State Council do not incorporate Contractual Arrangements as a form of foreign investment, the Foreign Investment Law would not apply to our Contractual Arrangements, and it does not substantially change the identification of foreign investors in the field of foreign investment and the principle of recognition and treatment of our Contractual Arrangements compared with the current PRC laws and regulations. Therefore, our Contractual Arrangements as a whole and each of the agreements comprising the Contractual Arrangements will not be materially affected and will continue to be legal, valid and binding on the parties. Notwithstanding the above, the Foreign Investment Law stipulates that foreign investors investing through any other methods stipulated under laws, administrative regulations or provisions of the State Council may be considered as a form of foreign investment. It is therefore possible that future laws, administrative regulations or provisions of the State Council may stipulate contractual arrangements as a way of foreign investment. However, as of the Latest Practicable Date, it was uncertain as to how our Contractual Arrangements will be handled.

If the operation of Relevant Businesses is no longer falling in the catalog of prohibitions or certain conditions and permission of foreign investment access required under the Negative List and we can legally operate our business under PRC laws, Beijing Flowing Cloud will exercise the call option under Exclusive Option Agreements to acquire the equity interest/assets of our Consolidated Affiliated Entities and unwind the Contractual Arrangements subject to any applicable approvals from the relevant governmental authorities, and subject to any application or approval procedures by the relevant governmental authorities.

CONTRACTUAL ARRANGEMENTS

COMPLIANCE WITH THE CONTRACTUAL ARRANGEMENTS

Our Group has adopted the following measures to ensure the effective operation of our Group with the implementation of the Contractual Arrangements and our compliance with the Contractual Arrangements:

- (i) major issues arising from the implementation and compliance with the Contractual Arrangements or any regulatory enquiries from government authorities will be submitted to our Board, if necessary, for review and discussion on an occurrence basis;
- (ii) our Board will review the overall performance of and compliance with the Contractual Arrangements at least once a year;
- (iii) our Company will disclose the overall performance and compliance with the Contractual Arrangements in our annual reports; and
- (iv) Our Company will engage external legal advisors or other professional advisors, if necessary, to assist the Board to review the implementation of the Contractual Arrangements, review the legal compliance of Beijing Flowing Cloud and our Consolidated Affiliated Entities to deal with specific issues or matters arising from the Contractual Arrangements.

OVERVIEW

We provide AR/VR content and services in China, and in particular, the provision of AR/VR marketing services to advertising customers was our largest revenue contributor during the Track Record Period. According to iResearch, we ranked the first in terms of revenue in the AR/VR content and services market in China, amounting to 2.6% of the market share in 2021. We also ranked the first in terms of revenue in the AR/VR services market in China, reaching 13.5% of the market share in 2021. According to iResearch, the AR/VR content and services market size in terms of revenue in China was RMB21.7 billion in 2021 and is expected to increase from RMB35.7 billion in 2022 to RMB130.2 billion in 2026 at a CAGR of 38.2%.

Through accumulation of experiences and know-hows, we have created a business providing a variety of services in connection with AR/VR, mainly including (i) AR/VR marketing services, (ii) AR/VR content, (iii) AR/VR SaaS and (iv) IP business:

- (i) **AR/VR marketing services.** AR/VR marketing services business is currently our primary source of revenue. The business model of our AR/VR marketing services business is “*we develop and we help you use*”. We provide AR/VR content modules and development tools and help our customers place their advertisements. We charge our customers based on the performance outcome and operational effect of the services. Working with media platforms and their agents, we primarily provided AR/VR marketing services to our advertising customers during the Track Record Period. Leveraging our advantages in technology and media resources, we provide customers with comprehensive AR/VR marketing services, including formulating AR/VR marketing services plans, designing AR/VR marketing content, distributing AR/VR marketing content, and collecting, monitoring and optimizing data and feedback, in order to realize our customers’ business goals such as enhancing brand exposure and improving brand awareness. We help advertising customers to create cross-platform and AR/VR marketing materials, and furnish end users with an immersive experience. During the Track Record Period, we provided AR/VR marketing services to a total of over 50 advertising customers and promoted over 250 advertising products, the majority of which were apps and websites.
- (ii) **AR/VR content.** Utilizing our self-developed AR/VR development engines, our AR/VR content business offers customized content according to the needs of our customers. We provide AR/VR content to customers from various industries, including entertainment, gaming, education, culture and tourism, technology, healthcare and automobiles, and bring end users a diversified and immersive experience in a virtual world. The business model of our AR/VR content business is “*we develop and you use*”. We develop AR/VR content according to the requirements of our customers, which are then utilized by the

customers in their businesses and provided to the end users. We generally charge a one-off fee when we provide the content products to our customers. We also utilize technology and experience accumulated in our AR/VR content business to support our AR/VR marketing services and AR/VR SaaS businesses. During the Track Record Period, we provided AR/VR content to over 60 customers, and gained experience from more than 150 AR/VR content projects. For example, in 2021, we developed a VR courseware customized for a middle-school geography course for an education business subsidiary under an Internet technology group operating one of the largest search engines in China in terms of the average daily active users in 2020. By simply wearing a VR device, students can learn the structure of the earth, the formation of the air pressure zones and other lessons in a visual and interactive way, thereby appealing to the interest of students and enhancing their level of involvement, which ultimately makes it easier for students to absorb the knowledge in the geography course.

- (iii) **AR/VR SaaS.** Leveraging the experiences we accumulated in the AR/VR content and services businesses, we provide standardized solutions on our AR/VR SaaS platform. The business model of our AR/VR SaaS business is “*you develop and you use*”. Our AR/VR SaaS platform enables our customers to generate, publish and utilize AR/VR content. We charge our customers for subscribing to our SaaS products or for developing customized SaaS solutions. Our AR/VR SaaS platform provides our customers with a range of online AR/VR interactive content design, development and distribution tools and empowers our customers to create activities that offer experiences such as exhibition, showcase, live-streaming and marketing, with the goal to improve the level and extent of participation of their end users. After we made AR/VR SaaS one of our business focuses in 2020, our AR/VR SaaS business has grown at a fast pace. The revenue from our AR/VR SaaS business increased by 41.8% from RMB6.5 million in 2019 to RMB9.2 million in 2020, and further increased by 122.9% to RMB20.6 million in 2021, and increased by 353.2% from RMB2.1 million for the three months ended March 31, 2021 to RMB9.5 million for the three months ended March 31, 2022. As of March 31, 2022, the number of our AR/VR SaaS registered users reached over 14,000 and the number of our AR/VR SaaS subscribed paying users reached over 2,200.
- (iv) **IP.** Our IP business licenses IP rights to customers to enable them to develop games, cartoons, TV plays, movies and other works. During the Track Record Period, we mainly licensed out IPs we purchased from third parties. We have shifted our focus and going forward, we will mainly use IP resources to support our AR/VR businesses and license IP rights on a case-by-case basis to meet specific customer demands.

We grew rapidly during the Track Record Period. In 2019, 2020 and 2021 and the three months ended March 31, 2022, our revenue was RMB250.9 million, RMB338.6 million, RMB595.3 million and RMB228.9 million, respectively. During the same period, our net profit was RMB41.9 million, RMB60.3 million, RMB71.7 million and RMB38.2 million, respectively.

Metaverse Ecosystem

According to iResearch, Metaverse is a virtual universe with a sustainable existence based on the real world through AR/VR technical abilities. A person in the physical world may, with a digital avatar, enter the virtual universe with a fully functioning society and economy. According to a declaration made by the Metaverse Industry Committee on November 11, 2021, Metaverse is the third generation of the Internet.

The ecosystem of a Metaverse is jointly constructed by the interaction between the underlying technology tier, the scenario application tier, the device tier and the platform tier. According to iResearch, the platform tier comprises companies that directly operate the virtual universe of the Metaverse and provide services to end customers through platforms. The device tier comprises companies that provide devices for Metaverse experiences. The scenario application tier comprises service providers for business customers that construct the virtual universe of the Metaverse. As the virtual universe of the Metaverse is constituted of AR/VR content and services, AR/VR content and services providers are equivalent to scenario application tier companies. The underlying technology tier comprises companies that provide technology support for relevant parties in the Metaverse industry, for example the AI technology service providers.

The AR/VR content and services market is the scenario application tier in the Metaverse ecosystem. AR/VR is a key application for achieving and empowering the immersive experience in the Metaverse, and is the pre-requisite condition and an entry barrier during the development of the Metaverse.

We have begun to build our own Metaverse platform. According to iResearch, the elements of Metaverse platforms mainly include immersive experience, socializing channels, business function, and user self-development capabilities. In addition, the Metaverse caters for merchants and consumers simultaneously by providing a virtual space for business interaction. We believe that the experience we have accumulated over the years in the AR/VR business has equipped us with the capability to create a Metaverse platform with the key elements typical to a Metaverse platform. In November 2021, we announced that we will be publishing our Feitian Metaverse platform, which is expected to have a virtual commercial district in which users can travel around freely and enter the commercial space of merchants such as showrooms. We aim to provide access to the Metaverse to our business customers and users and connect them through the Feitian Metaverse platform. Our Feitian Metaverse platform is currently at a preliminary stage and we aim to eventually provide

BUSINESS

our customers with the ability to initiate business cooperation among themselves and with consumers in the virtual business space, which would improve the consumer experience on the one hand, and help our customers to explore business opportunities on the other hand.

OUR COMPETITIVE ADVANTAGES

We believe the following competitive advantages have substantially contributed to our success and will drive our future development:

A major provider of the AR/VR content and services market in China and benefit from the competitive advantages in the Metaverse development process

According to iResearch, the ecosystem of a Metaverse is jointly constructed by the interaction between the underlying technology tier, the scenario application tier, the device tier and the platform tier. Participants of the scenario application tier and the underlying technology tier construct and empower the Metaverse, driving the development and growth of the Metaverse. According to iResearch, we ranked the first in terms of revenue in the AR/VR content and services market in China, amounting to 2.6% of the market share in 2021.

The AR/VR content and services market is the scenario application tier in the Metaverse ecosystem. According to iResearch, the market size of the AR/VR content and services market in terms of revenue in China grew at a CAGR of 110.2% from RMB1.1 billion in 2017 to RMB21.7 billion in 2021, and is expected to reach RMB130.2 billion by 2026, which serves as a major driver of the empowerment of the Metaverse.

AR/VR marketing services business

We are one of the earliest companies entering the AR/VR services industry and a major provider in the AR/VR services industry in China, according to iResearch. According to iResearch, we ranked the first in terms of revenue in the AR/VR services market in China, reaching 13.5% of the market share in 2021, which was over 10% higher than that of the company ranking second.

BUSINESS

Working with media platforms and their agents, we primarily provided AR/VR marketing services to our advertising customers during the Track Record Period. The provision of AR/VR marketing services to advertising customers was our largest revenue contributor during the Track Record Period. According to iResearch, the marketing sector is one of the biggest sectors in the AR/VR services market. Marketing methods utilizing AR/VR technologies have advantages over traditional marketing methods. For example, VR technology can be used to simulate environments and display products in an interactive manner. Furthermore, AR technology can be used to track and locate, achieve physical interaction with end users, and improve the participation and enjoyment of users through interactive, immersive and scenario-based experiences. Compared with traditional marketing models, AR/VR advertisements can better capture the attention of end users and engage them. According to iResearch, the click conversion rate of traditional forms of advertising ranges from 0.3% to 15%, while that of AR/VR advertisements reaches 25%.

According to iResearch, as AR/VR advertisements offer widened channels to interact with end users, market players like us can obtain a deeper understanding of end users' behavior preference and improve the accuracy to distribute advertisements. In 2021, the online advertising market in China reached RMB942.1 billion, representing an increase at a CAGR of 26% from 2017. At present, online advertising is mainly in the forms of image, text and video. With the application and popularization of AR/VR technology in marketing and advertising industries, more advertising materials and marketing forms are expected to be presented in AR/VR in the future. According to iResearch, the AR/VR services market size in China in terms of revenue in 2021 was RMB2.8 billion. The market size of the AR/VR services market in terms of revenue in China is expected to increase from RMB5.3 billion in 2022 to RMB24.0 billion in 2026 at a CAGR of 45.9%.

We entered into the AR/VR services market in 2017 and started to offer AR/VR marketing services. According to iResearch, we are one of the first companies to enter the AR/VR services market in China. Leveraging on technologies accumulated in prior game developments and the user data and media resources accumulated in game distribution, we were able to make profits in the AR/VR services market in the same year. Through years of operation, we have accumulated a diversified customer base and media resources. In terms of customer base, during the Track Record Period, we provided AR/VR marketing services to a total of over 50 advertising customers. With respect to media resources, we mainly placed advertisements on diversified media platforms through over 30 agents during the Track Record Period. Leveraging our relationship with these media platforms and their agents, we can assist our advertising customers in acquiring sizeable Internet traffic. During the Track Record Period, we promoted over 250 advertising products, the majority of which were apps and websites. In addition to providing AR/VR marketing services, we have also strived to provide other performance-based AR/VR services and have taken initial steps in the culture and tourism industry.

AR/VR content business

According to iResearch, the application of the AR/VR content market concentrates in entertainment, education and other industries in China. We have extensive experience in AR/VR content development to empower customers from various industries, and we can provide an immersive experience of virtual universe to customers and end users. According to iResearch, the market size in terms of revenue of the AR/VR content market in China was RMB18.9 billion in 2021, and the AR/VR content industry in China is likely to maintain its wide application in various industries such as entertainment and education in the future.

During the Track Record Period, we provided AR/VR content to over 60 customers, and accumulated development experience in more than 150 AR/VR content projects through our AR/VR content business. These experiences can reduce our development cost for our AR/VR marketing services and AR/VR SaaS businesses. During the Track Record Period, we completed a number of AR/VR content projects for major customers. For example, in January 2018, we were engaged to reconstruct the virtual version of a physical store of a renowned international sporting goods retailer at a scale of 1:1. The virtual store presents the standard display and layout of a physical store to the sporting goods retailer's sales agents and employees, thereby reducing the sporting goods retailer's training cost to demonstrate the desired setting of a store. In addition, in September 2018, we were engaged to build a VR panoramic display project for a famous tourist attraction in Shanxi Province, China. Leveraging our 3D modeling, PBR and other technologies, end users can observe the details of the scenic spot with a 360-degree view by wearing a VR device, enabling them to enjoy the cultural tourist site from home.

As we are experienced in AR/VR-based content creation and possess rich accumulation of AR/VR content materials, we believe we have competitive advantages in the Metaverse platform development process. In addition, according to iResearch, one of the means for the operators of the Metaverse platform to generate revenue is to provide services to business customers, including marketing services. We believe our experience in providing AR/VR marketing services to cater to the demands of business customers also renders us more competitive in the deployment of the Metaverse platform as our insight on the needs of business customers and our experience accumulated through the provision of the AR/VR marketing services enables us to serve customers on a Metaverse platform in the future. In addition, our AR/VR SaaS platform empowers the users to participate in the creation and development with us. We believe our AR/VR technology can consolidate and strengthen our advantages. With the IP reserve we have accumulated over years of operation, we also believe we will be able to provide a diverse portfolio of IPs to users of our Metaverse platform in the future.

According to a declaration made by the Metaverse Industry Committee on November 11, 2021, Metaverse is the third generation of the Internet. Metaverse will be the next stage of the development in the Internet industry which has the potential to cover all the business models currently existing in the Internet, and the boundary of the Metaverse is still expanding, according to iResearch. As we are one of the earliest companies entering the AR/VR content and services market in China, we believe we will be able to capture the opportunities of the Metaverse going forward.

Fast growing SaaS business

Through the experiences accumulated in our AR/VR content and services business, we have developed a standardized AR/VR SaaS platform which allows our customers to create and publish AR/VR-based content. We provided AR/VR marketing services or content to customers from over 10 industries, including entertainment, gaming, Internet, e-commerce, culture and tourism, business services, education, finance, real estate, automobiles, live-streaming, technology and healthcare during the Track Record Period. We utilized these experiences to improve our AR/VR development engines and other technologies as well as enhance our efficiency. Once we identify AR/VR marketing services or content which can be standardized, we launch corresponding SaaS products or modules in due course to further enhance our growing AR/VR SaaS business.

Our AR/VR SaaS platform is driven by interactive content and serves as a handy toolbox for customers to carry out marketing activities, interact with existing users and attract new users through AR/VR interactions. Our customers can select styles and interaction approaches on our AR/VR SaaS platform to cater to their operational demands, and motivate end users through reward distribution, such as red packets and coupons, using tools offered by us on our AR/VR SaaS platform. As of March 31, 2022, over 14,000 users have registered on our AR/VR SaaS platform. Our AR/VR SaaS platform provides users with online AR/VR interactive content, and design, development and distribution tools to help them combine the application and immersive experience according to their own operational needs while monitoring performance results. As of March 31, 2022, the number of subscribed paying users of our AR/VR SaaS platform reached over 2,200.

As one of the first few companies operating an AR/VR SaaS platform according to iResearch, we have attracted attention from a number of leading companies from the Internet industry. In 2020, we became a partner of Tencent Qianfan Plan, which is a SaaS platform introduced by Tencent. Our AR/VR SaaS platform joined the Tencent Cloud SaaS platform, and we are the only AR/VR product provider in Tencent Qianfan Plan. Our AR/VR SaaS platform has also been elected as one of Tencent Qianfan's selected products for high quality, good reputation and reliable service. In 2021, we further became the authorized service provider of the SaaS product of a top-tier e-commerce platform. Our AR/VR SaaS platform provides tools and modules for our

customers to build their own VR cloud stores. As one of the first companies to provide VR cloud store designing service in China according to iResearch, we have become the core supplier of VR cloud store products for some top e-commerce platforms in China.

Multifaceted AR/VR technology

We have multifaceted AR/VR technology that provides support for our AR/VR business. Our AR/VR technology can be divided into three categories, namely the underlying technology, the content technology and the platform technology. The underlying technology is our core capability, which supports all our major businesses and establishes our competitive advantages in the industry. The content technology addresses the customers' demand and provides us with a base to grow our business. The platform technology enables our technology to be exported and empowers customers or developers to participate in the content production together with us.

Our success hinges upon our key technological capabilities in providing customers with high-quality AR/VR marketing services and offering end users with our AR/VR interactive content and immersive experience. Such key technologies include:

- **Underlying technology:** Our underlying technology includes cross-platform technology, interactive technology, gaming technology, AI technology, network technology, among others. Our cross-platform technology allows our AR and VR effects to be presented on Android, iOS, H5, Windows and other platforms. Our interactive technology and gaming technology provide a base for the development of interactive content. Our AI technology can, through machine learning algorithms, identify images, texts, voices, faces and motions and provide a foundation for the AR/VR interactive content. In addition, our network technology ensures the stable and smooth operation of our systems which further brings smooth experience to end users.
- **Content technology:** We have a number of AR/VR development engines through years of development and iteration, which have combined content development functions. Our AR/VR development engines improve our development efficiency by shortening the development time of AR/VR products. Our AR/VR development engines include our Uni-Play engine, Uni-AR engine, Uni-VR engine and rendering engine.

- **Platform technology:** Our AR/VR SaaS platform provides a large number of AR/VR content modules, online editors and a range of data analytical tools, helping our customers to gain better designing experience on our AR/VR SaaS platform. In addition, we offer an AR/VR aPaaS platform to AR/VR interactive content developers. We allow developers to deploy the functions needed on our aPaaS low-code development platform and to strategically use the relevant tools to form their AR/VR solutions. Our platform technology enables our technology to be exported and empowers end users and developers to customize and develop AR/VR interactive content easily and efficiently, which in turn is expected to improve our AR/VR business ecosystem and attract more parties to participate in AR/VR content production.

For further details of our technologies, see the paragraph headed “— Our Technologies and Infrastructure” in this section. We believe that these technologies enable us to improve the conversion rate and strengthen marketing effect of our AR/VR marketing services, and improve the quality of content for our AR/VR content. Our multifaceted AR/VR technology and our experienced R&D development team are our core competencies as we continue to expand our business.

Strong synergy effect among our various business segments

Our various business segments generate strong synergies among them. Our AR/VR marketing services, content and SaaS businesses cover the major aspects of the AR/VR content and services market, while our IP business empowers our AR/VR businesses.

Our AR/VR content provides a solid basis for AR/VR marketing services. We have accumulated extensive development experience in the AR/VR content business. Our project experience in the AR/VR content business has reduced our costs and enhanced our efficiency in providing AR/VR marketing services. During the Track Record Period, we provided over 150 AR/VR content projects to over 60 customers from various industries, including entertainment, gaming, education, culture and tourism, technology, healthcare and automobiles. Our AR/VR content experiences provide a foundation to our AR/VR marketing services business. We have built a comprehensive technical system and R&D structure in our AR/VR content business, and have developed an efficient development process and a comprehensive quality control system, which enables us to enhance our AR/VR marketing services and to ensure the efficiency and service quality of our AR/VR marketing services. Moreover, our AR/VR marketing services and AR/VR content businesses facilitate our AR/VR SaaS business. We utilize the experience we have gained in the provision of AR/VR content and services to improve our technologies including AR/VR development engines and to enhance our efficiency. Once we identify services or content which can be standardized, we launch corresponding SaaS products in due course to further enhance our growing AR/VR SaaS business.

BUSINESS

As our business scales up, there are also synergy effects and cross-sales opportunities between our AR/VR marketing services, AR/VR content, AR/VR SaaS and IP businesses. Such synergy effects include accumulation of customers, development of technologies and sharing of IP resources which would further improve our overall AR/VR business ecosystem to provide better customer service, enhance customer stickiness and create a virtuous cycle for our business. Cross-sales opportunities are also available among our businesses. For example, after the customers of our AR/VR marketing services business experience the effectiveness of the AR/VR-based marketing approaches, they may consider incorporating AR/VR solutions more pervasively and/or more frequently in their daily marketing activities. As a result, these customers may want to design AR/VR solutions by themselves, and thereby use our AR/VR SaaS platform services, transforming from being our AR/VR marketing services business customers to our AR/VR SaaS customers. Similarly, our AR/VR content customers may also further engage us to provide AR/VR marketing services or become our AR/VR SaaS subscribed paying users if they are impressed by our AR/VR interactive content. Particularly, after completing customized AR/VR content projects with us in 2020, a customer, recognizing the quality of our AR/VR content, further became a subscribed paying user of our AR/VR SaaS platform in 2021 and created simple AR/VR-based content using our AR/VR SaaS platform.

Management team with a broad vision and rich experience

Since our incorporation, Mr. Wang, our chief executive officer, has been leading the strategic development of our Group. With more than 16 years of experience in the Internet technology industry, Mr. Wang is able to recognize the main industry trends and grasp market dynamics. With the strategic plans formulated by Mr. Wang for our Group, we were able to achieve rapid growth during the Track Record Period. Mr. Li, our executive Director and chief technology officer, has been assisting in overall management and R&D and technical management of our Group. Mr. Li has more than 15 years of experience in software engineering and he leveraged his rich industrial and technical experience and led the formulation of our R&D strategies. As of the Latest Practicable Date, most of our executive Directors have more than 10 years of experience in the Internet technology industry. A majority of our senior management members have been working together for over five years, which provides us with a stability that lays a foundation for our long-term development.

We believe that our experienced management team plays an important role in our success and will continue to be our valuable assets. Our management team possesses the requisite leadership, vision and in-depth industry knowledge to anticipate and seize market opportunities, formulate sound business strategies and facilitate effective implementation. We are therefore confident that our experienced management team will lead us to attain long-term development and growth.

OUR DEVELOPMENT STRATEGIES

We are committed to building China's leading Metaverse platform serving business customers by connecting small and medium-sized companies with the Metaverse and building our own Feitian Metaverse platform. To achieve our vision, we have prepared the following development strategies:

We intend to further optimize our operation of AR/VR marketing services, AR/VR content and AR/VR SaaS businesses

We intend to extend and enhance our current position in the Metaverse scenario application tier in China. In terms of AR/VR marketing services, we intend to enhance customer loyalty, increase the retention rate of customers and solidify the relationship between our customers and us. Particularly, we plan to expand our operation team to better develop AR/VR marketing services plan for our customers taking into account the characteristics of their brands. We also plan to expand our after-sales team to offer better services to our customers. Furthermore, according to iResearch, marketing and e-commerce sectors are currently the major sectors of the AR/VR services industry in China. As a major provider in the AR/VR services industry in China, we plan to further expand our AR/VR services business beyond AR/VR marketing to other performance-based services and assist customers with their AR/VR-related operation. Specifically, we plan to provide AR/VR services to the culture and tourism and education industries through standardized models and customized content and charge customers based on the performance outcome. We have taken initial steps in this regard. For example, in August 2021, we were engaged to produce AR content on a mini-program of an AAAAAA tourist attraction in China for ongoing activities at the tourist attraction and received revenue based on the performance of the mini-program in terms of number of visitors and visits. For another example, we plan to cooperate with tourist attractions and open physical stores in the attractions. We plan to introduce history and cultural background of the attractions to tourists through VR videos. We plan to be in charge of content development, testing, hardware matching and operation of the projects. We also plan to conduct quality control and daily maintenance. We plan to share profit with the tourist attractions based on ticket sales according to a pre-determined percentage in a specified period. We entered into a cooperation agreement with an imperial palace, which is an AAAAAA tourist attraction, in China in 2022. For the education industry, we plan to partner with established companies with a customer base in the education industry and develop standardized course content based on AR/VR, for example geography and astronomy courses. We plan to be in charge of content design, development and testing, in addition to quality control, operation and after-sale services. We plan to share profit with our partners according to a pre-determined percentage in a specified period after they sell the courses to schools or institutions. We also plan to enhance our cooperation with media platforms by (i) entering into strategic cooperation with media platforms to ensure a steady

flow of traffic that we require in our expansion of AR/VR marketing services business; and (ii) designing more interactive content modules that are tailored to media platforms taking into account the attributes and target audience of these media platforms.

In terms of AR/VR content, we plan to leverage our experiences in AR/VR interactive content creation to expand our AR/VR content business to cover more industries, particularly the manufacturing industry and the live-streaming industry, and to further penetrate into the industries we have already covered including the culture and tourism industry. For example, we plan to apply AR/VR content to various aspects of the design, manufacturing, marketing and the maintenance of industrial equipment. During the initial design phase of a product, we plan to use AR/VR technology to help designers express their design ideas more accurately, communicate their ideas to their customers more easily, and analyze and improve product models more efficiently, while in the manufacturing phase, we also plan to use AR/VR content to provide workers with more intuitive process guidance, assist them to complete tedious production processes via AR technology. For the live-streaming industry, by combining modeling and AI production technologies to produce virtual characters, we plan to introduce solutions for live-streaming by virtual characters in around 2023, achieving synchronization of expressions and actions through motion capture and facial recognition technologies. In addition, we plan to further penetrate into the culture and tourism industry. We intend to open offline VR experience stores at around 10 tourist attractions in China within the next three years, presenting history and cultural background of the attractions to the tourists through VR videos.

In terms of AR/VR SaaS, we plan to increase the coverage of our AR/VR SaaS business by expanding our AR/VR SaaS customer base among small and medium-sized companies. We also plan to continue to accumulate and summarize content or services that can be standardized, further explore the potential conversions from AR/VR content and services to AR/VR SaaS, and launch corresponding AR/VR SaaS products in due course. We intend to increase customer stickiness by constantly providing new AR/VR SaaS products to existing customers. For example, we plan to launch VR live-stream marketing for industries such as culture and tourism, second-hand houses and second-hand cars and develop AR SaaS products for live action role playing games for tourist attractions and VR education platform for schools. Specifically, for VR live-streaming marketing, utilizing our AR/VR SaaS platform, hosts may take audiences through 720 degrees fully immersive experiences, which is particularly suitable for industries such as culture and tourism, second-hand houses and second-hand cars. Audiences may watch and interact through mobile phones, personal computers or VR devices. For AR live action role playing games to be used in offline scenarios including tourist attractions, users may follow the storyline of the game, take part in the role play and follow the developments of the story using AR scanning, video introductions and 3D displays. For VR education to be used in schools or for training purposes, we plan to introduce education and training courses on our AR/VR SaaS platform. We plan to provide courses including commonly used development tools, 3D model production, animation production, AR content

development and VR content development. Third party instructors or institutions may either use content on our AR/VR SaaS platform or upload their own course materials, which students may study with mobile phones, personal computers or VR devices.

We intend to use approximately HK\$93.1 million, which will be funded by and represents approximately 15% of the net proceeds from the Global Offering, to improve our services and products. See section headed “Future Plans and Use of Proceeds” in this prospectus for details.

We intend to further expand our presence in the Metaverse ecosystem in China

As the core application for the construction of the Metaverse, AR/VR brings the immersive virtual universe experience to the users and connect the physical world with the virtual universe. As a result, AR/VR capabilities are the necessary conditions and an entry barrier during the process of the Metaverse development. Leveraging on our AR/VR technology accumulated over the years, we intend to build our Feitian Metaverse platform.

In November 2021, we announced that we will be publishing our Feitian Metaverse platform, which is expected to have a virtual commercial district in which users can travel around freely and enter the commercial space of merchants such as showrooms. We published our Feitian Metaverse information center on our website, which contains information such as introduction for developers and courses for beginners. Apart from the immersive experience brought by AR/VR, we plan to provide users with development tools, such as AR/VR scene construction and web-AR/VR solution technologies, which could enable the users to design and develop AR/VR content on our Metaverse platform. We plan to continuously build the Feitian Metaverse platform and to provide access to the Metaverse to our business customers and end users and connect them through the Feitian Metaverse platform. On our Feitian Metaverse platform, we plan to provide our customers with the ability to initiate business cooperation among themselves and with end users in the virtual business space, which would improve end users’ experience on the one hand, and help customers explore business opportunities on the other hand. We also plan to build tools to empower end users to create their own Metaverse space from an end-user perspective.

We plan to construct the Feitian Metaverse platform in three phases. We plan to complete the infrastructure construction in the first phase. In the first phase, we plan to create a virtual world with immersive experience, socializing channels and user self-development to boost the number of end users and increase the scale of our Metaverse world. We further plan to improve the coding tools for developers and carry out iterative and incremental improvement on the development tools to improve the efficiency of development. At that time, we will be able to invite developers by providing a platform in which the developers can engage and enhance content diversity with the UGC model. We are currently at the first phase of the development of our Feitian Metaverse platform and we currently focus on the infrastructure construction. We have completed the

BUSINESS

construction of the basic technical architecture and developed part of the core functions of our Feitian Metaverse platform, including a multiplayer open world, a sandbox system, a preliminary user and social system, a human-computer interaction system and a preliminary developer interface. We have also developed a small city block to test our preliminary technical architecture and its effect. To this end, we have developed a new network architecture that enables efficient interconnection between VR hardware, personal computers and mobile phones. We plan to test a beta version of our Feitian Metaverse platform in 2022, where users are expected to experience basic social functions, interactive games and online business meetings functions. We expect to use the beta version to collect user feedback and improve our Feitian Metaverse platform. We plan to launch the full version of our Feitian Metaverse platform in the first half of 2023. The full version is expected to mainly include social, entertainment and office functions. In the second phase, we plan to further improve content on our Feitian Metaverse platform and cover more life scenarios by acquiring digital assets and upgrading our system. Specifically, we plan to cover various life scenarios such as socializing, entertainment, office, education, culture and tourism, sports and live-streaming to provide end users with different experiences. We expect to continuously improve the content on our Feitian Metaverse platform throughout 2023 and 2024. In the third phase, we plan to improve the Feitian Metaverse platform ecosystem and facilitate users' business activities in the platform. We plan to consolidate our customers of various business segments including AR/VR marketing services, content and SaaS on our Feitian Metaverse platform. We will also attract end users to our Feitian Metaverse platform and our customers and end users may interact and conduct business with each other. We expect to enter the third phase in 2024. Our second and third phases may overlap as we expect the improvement of content on our Feitian Metaverse platform to be a continuous process.

Our Feitian Metaverse platform is expected to facilitate our existing businesses. We plan to provide AR/VR marketing services on our Feitian Metaverse platform and by attracting users to visit the same, our Feitian Metaverse platform is expected to gather traffic for our customers of AR/VR marketing services. Our Feitian Metaverse platform may consolidate our customers on a single platform which may serve to enhance our brand name. We plan to offer content development services on our Feitian Metaverse platform and plan to charge our customers for the AR/VR content products. For example, users of our Feitian Metaverse platform may engage us to design and construct showrooms, panoramic virtual stores and industrial parks, for which we may charge on the basis similar to our AR/VR content projects. We plan to connect our AR/VR SaaS platform with our Feitian Metaverse platform and provide our customers with one-stop services, which is expected to attract more users to our AR/VR SaaS platform. See the paragraph headed “— Our Business — Metaverse platform under development” in this section. We intend to use approximately HK\$62.0 million, which will be funded by and represents approximately 10% of the net proceeds from the Global Offering, to develop our Feitian Metaverse platform. See section headed “Future Plans and Use of Proceeds” in this prospectus for details.

We intend to strengthen our R&D capabilities

We strive to consolidate and strengthen our technologies in the industry with continuous investment in the R&D field, and maintain, as well as enhance, our current position in technology. We plan to strengthen our AR/VR technology capabilities covering three categories, namely the underlying technology, the content technology and platform technology. Particularly, we plan to (i) strengthen our AI algorithm capabilities and image rendering capabilities which could enable our customers to achieve higher levels of display effects for their products and content; (ii) strengthen standardization and process building in content creation, and optimize them through big data algorithms; (iii) further enhance our AR/VR technology to adapt to next-generation AR glasses, VR glasses, holographic projection and 5G applications.

Specifically, we plan to continuously optimize our existing AI algorithms to further increase the accuracy and speed of image and word recognition, increase the accuracy of voice recognition and enhance the semantic analysis capabilities, improve the efficiency and accuracy of facial and motion recognition, increase the number of recognition points to build a foundation to support more diverse interaction modes. We also plan to gradually commence research on AI generated content to optimize interactive content through AI. We plan to achieve AI production of interactive content by 2024 to increase content production efficiency.

In addition, we intend to improve our data analysis capabilities through upgrading the big data algorithms and hardware of our existing data analysis platform to better understand end user behavior in interactive content and to strengthen standardization and process building in content creation. We plan to improve the quality of our products and services through identifying key issues valued by the users through data analysis.

We also plan to continuously improve and upgrade our Uni-Play engine, expand its interactive systems including identification system and social system to adapt to the next-generation hardware. We plan to add an economic system and a digital asset accreditation system in 2023 to enhance the concept of value for users in a virtual world. Further, we plan to add a governance system in 2024 to allow users to define interactive rules to enhance user participation. We also plan to further iterate and develop our Uni-AR and Uni-VR engines. On the one hand, we plan to timely update interactive modes through improving hardware and network functions and upgrading our AI algorithms. On the other hand, we plan to timely adapt our AR/VR content and services to AR and VR hardware products of different vendors to cover a wider user group in view of the growing hardware market in China. According to iResearch, the output of AR/VR headsets in China is expected to grow from 10.4 million pieces in 2022 to 57.4 million pieces in 2026. We plan to expand the adaptability of our engines to adapt to hardware platforms such as holographic projectors, holographic electronic sand tables and 3D interactive tables to develop more offline interaction scenarios. Furthermore, in order to adapt to 5G applications, we

plan to develop our own cloud rendering engine to resolve the problems of weak rendering capability of mobile terminals and poor user experience. We plan to introduce our AR/VR interactive content solutions based on cloud rendering in around 2024. We also plan to enhance our user loading capabilities through investments in improving servers and network bandwidth. We intend to use approximately HK\$155.1 million, which will be funded by and represents approximately 25% of the net proceeds from the Global Offering, to strengthen our R&D capabilities. See section headed “Future Plans and Use of Proceeds” in this prospectus for details.

We plan to strengthen and continue to optimize our sales and marketing network

We plan to attract new customers by enhancing our existing brands and marketing. Enhanced brands and marketing could drive the organic growth of our AR/VR SaaS platform, AR/VR marketing services and AR/VR content business while improving our relationship with existing customers, and increase customer engagement and retention rate. Specifically, we plan to (i) expand the sales and service network in cities such as Beijing, Shanghai, Shenzhen, Chengdu, Nanjing, Xi'an and Hangzhou to enhance existing customer service capabilities, explore new customer resources and strive for greater market share; (ii) build a CRM marketing system and upgrade the business information platform to reinforce the technical support in formulating marketing strategies and implementing marketing plans, and to enhance our ability to collect, organize and analyze marketing data through the information platform; (iii) strengthen our brand image through marketing effort, and participate more actively in summits, forums, exhibitions and other activities; and (iv) cultivate corporate culture by strengthening the sense of our mission and enterprise identity.

According to iResearch, the AR/VR content and services market size in terms of revenue in China was RMB21.7 billion in 2021 and is expected to increase from RMB35.7 billion in 2022 to RMB130.2 billion in 2026 at a CAGR of 38.2%. The AR/VR content market in terms of revenue in China is expected to increase from RMB30.4 billion in 2022 to RMB106.2 billion in 2026, representing a CAGR of 36.7%. The market size of the AR/VR services market in terms of revenue in China is estimated to increase from RMB5.3 billion in 2022 to RMB24.0 billion in 2026, representing a CAGR of 45.9%. The AR/VR marketing services market is a major component of the AR/VR services market in China. In addition, according to iResearch, tier one cities in China with annual gross domestic product of over RMB1 trillion including Shanghai, Beijing, Shenzhen, Chengdu, Hangzhou, Nanjing and Xi'an have stronger demand for AR/VR content and have better growth potentials as there are more companies and business activities in tier one cities which lead to stronger demand for AR/VR content and services. New technologies relating to AR/VR are also more widely applied and adopted early in tier one cities, which provides a base for the prevalence

BUSINESS

of AR/VR. In light of the considerable scale and the growth potentials of the AR/VR content and services market with AR/VR gaining popularity in China, we believe that there will be sufficient market demand to support our expansion plan and to allow us to further grow and develop our business.

Specifically, we plan to enhance our sales force in Beijing and to recruit a total of 33 additional sales and marketing staff members by 2024. We also plan to strengthen our sales teams in Shenzhen and Hangzhou and to recruit four to five additional sales and marketing staff members by 2024 in each city. We plan to set up new sales teams in Shanghai, Chengdu, Nanjing and Xi'an, each with a team of four members by 2024. We intend to use approximately HK\$155.1 million, which will be funded by and represents approximately 25% of the net proceeds from the Global Offering, to enhance our sales and marketing function. See section headed "Future Plans and Use of Proceeds" in this prospectus for details.

We intend to selectively pursue strategic investment and M&A

As part of our overall growth strategy, we plan to seek acquisitions and investment opportunities to optimize our business ecosystem and expand our business scale. Specifically, we intend to focus on businesses that can supplement or enhance our existing business and are strategically beneficial to our long-term goals. Potential candidates include (i) companies in the AR/VR industry with core technologies supported by IPs which could help us improve our technology capabilities, (ii) companies with competitive advantages in AR/VR interactive content development and production which could help us enrich our content production capabilities, (iii) companies in the AR/VR industry with a wide base of clientele which could help us expand our customer base, and (iv) media platforms with high-quality Internet traffic resources which could mitigate our reliance on media platforms or their agents on the supply of traffic. In selecting acquisition and investment opportunities, we will take into account a number of considerations, including our strategic goals and the target company's market position, management experience, valuation, track record and financial performance. As of the Latest Practicable Date, we had not identified any investment or acquisition targets. We intend to use approximately HK\$93.1 million, which will be funded by and represents approximately 15% of the net proceeds from the Global Offering, to pursue strategic investments and mergers and acquisitions. See section headed "Future Plans and Use of Proceeds" in this prospectus for details.

BUSINESS

OUR BUSINESS

We provide AR/VR content and services in China and have begun to build our own Metaverse platform. According to iResearch, we ranked the first in terms of revenue in the AR/VR content and services market in China, amounting to 2.6% of the market share in 2021. We also ranked the first in terms of revenue in the AR/VR services market in China, reaching 13.5% of the market share in 2021.

The table below sets out our revenue by business nature:

	Year ended December 31,						Three months ended March 31,			
	2019		2020		2021		2021		2022	
							(Unaudited)			
	Percentage of total	Percentage of total	Percentage of total	Percentage of total	Percentage of total	Percentage of total	Percentage of total	Percentage of total		
	Revenue	revenue	Revenue	revenue	Revenue	revenue	Revenue	revenue	Revenue	revenue
	(RMB'000)	%	(RMB'000)	%	(RMB'000)	%	(RMB'000)	%	(RMB'000)	%
AR/VR marketing services. .	137,103	54.6	141,701	41.9	376,341	63.2	81,275	58.6	165,574	72.3
AR/VR content	45,323	18.1	114,758	33.9	161,395	27.1	42,611	30.7	53,685	23.5
AR/VR SaaS	6,514	2.6	9,238	2.7	20,588	3.5	2,101	1.5	9,522	4.2
IP	30,519	12.2	29,811	8.8	4,472	0.8	4,717	3.4	—	—
Others ^(Note)	31,483	12.5	43,090	12.7	32,494	5.4	8,045	5.8	88	0.0
Total	250,942	100.0	338,598	100.0	595,290	100.0	138,749	100.0	228,869	100.0

Note: Our other businesses comprise text message services, promotion services, technical services, artist endorsement services, and historically, games and games related business.

Revenue from our AR/VR marketing services business increased during the Track Record Period primarily driven by the industry growth and our continuous enhancement of AR/VR marketing services. In particular, the significant growth of our revenue in 2021 was driven by the recovery of the economy due to further easing of the impact of COVID-19 and as a result of AR/VR gaining popularity which led to more customer demand. Revenue from our AR/VR content business increased during the Track Record Period primarily driven by the increasing recognition of our AR/VR content products and our improved operational and technical capabilities. Revenue from our AR/VR SaaS business increased during the Track Record Period primarily driven by the continuous improvement and optimization of our SaaS products as well as the increased demand for customized SaaS solutions from our customers. Revenue from our IP business decreased during the Track Record Period primarily as we have planned to mainly use IP resources to support our AR/VR business going forward and reserved quality IP rights for our own use. Revenue from our other businesses fluctuated during the Track Record Period primarily because our other businesses were supplemental to our AR/VR businesses.

BUSINESS

Our AR/VR marketing services, AR/VR content and AR/VR SaaS business segments are AR/VR related, whereas our IP business and other business are non-AR/VR related. The table below sets out our revenue of AR/VR related and non-AR/VR related businesses:

	Year ended December 31,						Three months ended March 31,			
	2019		2020		2021		2021		2022	
	(Unaudited)									
	Percentage of total Revenue	Percentage of total revenue	Percentage of total Revenue	Percentage of total revenue	Percentage of total Revenue	Percentage of total revenue	Percentage of total Revenue	Percentage of total revenue	Percentage of total Revenue	Percentage of total revenue
	(RMB'000)	%	(RMB'000)	%	(RMB'000)	%	(RMB'000)	%	(RMB'000)	%
AR/VR businesses ⁽¹⁾	188,940	75.3	265,697	78.5	558,324	93.8	125,987	90.8	228,781	100.0
Non-AR/VR businesses ⁽²⁾	62,002	24.7	72,901	21.5	36,966	6.2	12,762	9.2	88	0.0
Total	250,942	100.0	338,598	100.0	595,290	100.0	138,749	100.0	228,869	100.0

Notes:

(1) AR/VR businesses comprise AR/VR marketing services, AR/VR content and AR/VR SaaS.

(2) Non-AR/VR businesses comprise IP and other businesses.

Our business comprises four major business segments, namely AR/VR marketing services, AR/VR content, AR/VR SaaS and IP.

AR/VR marketing services business is currently our primary source of revenue. The business model of our AR/VR marketing services business is “*we develop and we help you use*”. We provide AR/VR content modules and development tools and help our customers place their advertisements. We charge our customers based on the performance outcome and operational effect of the services. Working with media platforms and their agents, we primarily provided solutions to our customers including the placement of advertisements during the Track Record Period. The provision of AR/VR marketing services to advertising customers was our largest revenue contributor during the Track Record Period. Our AR/VR marketing services solutions are designed to help our customers accurately deliver marketing information to target end-user groups and provide the experience of combining the virtual and the physical world, so that our customers can achieve their business objectives which we believe may in turn improve their return on marketing investment efficiently. In addition to providing AR/VR marketing services, we have also strived to provide other performance-based AR/VR services and have taken initial steps in the culture and tourism industry.

BUSINESS

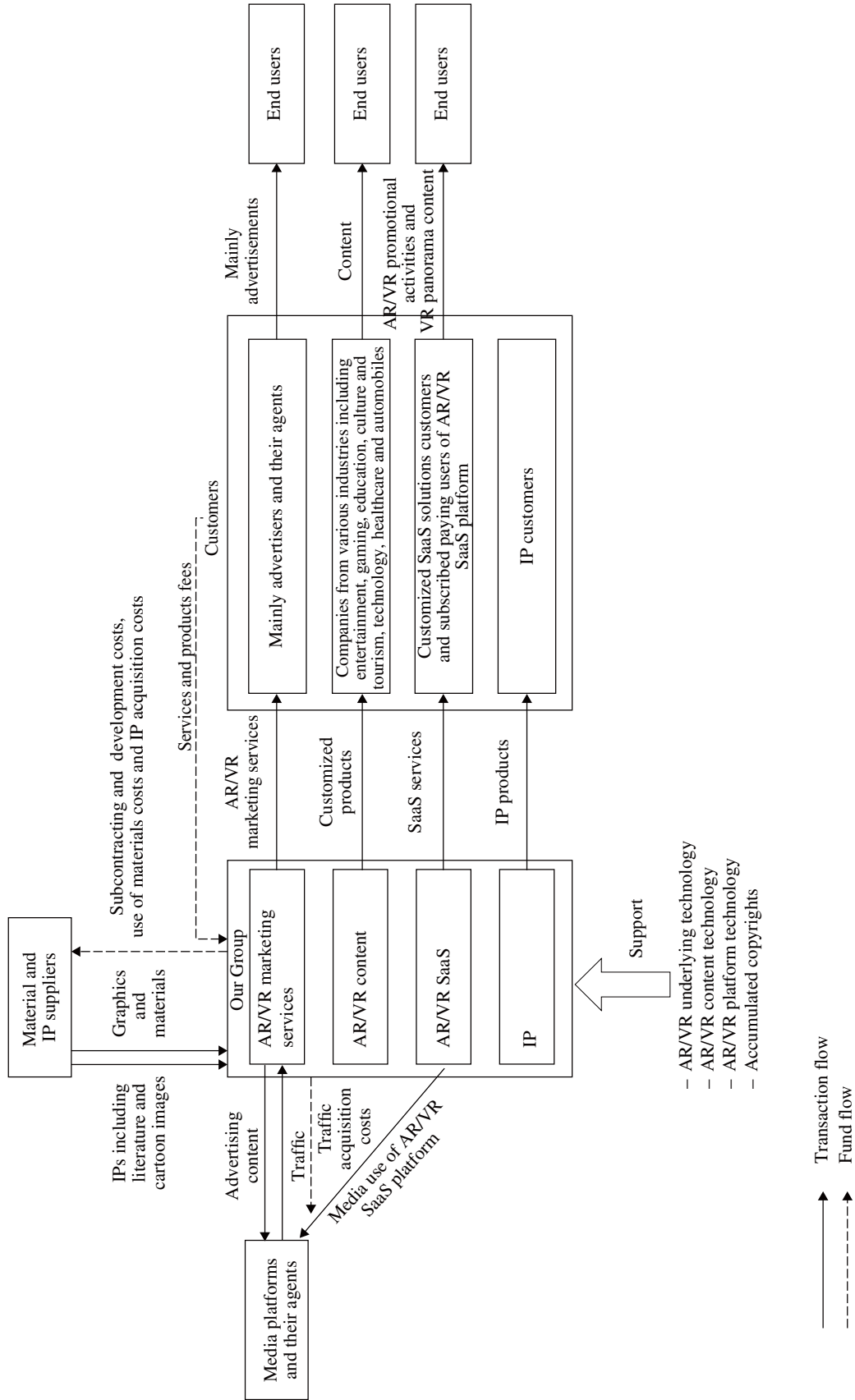
Utilizing our self-developed AR/VR development engines, our AR/VR content business offers customized content according to the needs of our customers. We provide AR/VR content to customers from various industries, including entertainment, gaming, education, culture and tourism, technology, healthcare and automobiles, and bring end users a diversified and immersive experience in a virtual world. The business model of our AR/VR content business is “*we develop and you use*”. We develop AR/VR content according to the requirements of our customers, which are then utilized by the customers in their businesses and provided to the end users. We generally charge one-off fee when we provide the content products to our customers. We also utilize technology and experience accumulated in our AR/VR content business to support our AR/VR marketing services and AR/VR SaaS businesses. During the Track Record Period, we provided AR/VR content to over 60 customers, and gained experience from more than 150 AR/VR content projects.

Leveraging the experiences we accumulated in the AR/VR content and services businesses, we provide standardized solutions on our AR/VR SaaS platform. The business model of our AR/VR SaaS business is “*you develop and you use*”. Our AR/VR SaaS platform enables our customers to generate, publish and utilize AR/VR content. We charge our customers for subscribing to our SaaS products or for developing customized SaaS solutions. Our AR/VR SaaS platform provides our customers with a range of online AR/VR content design, development and distribution tools and empowers our customers to create activities that offer experiences such as exhibition, showcase, live-streaming and marketing, with the goal to improve the level and extent of participation of their end users. After we made AR/VR one of our business focuses in 2020, our AR/VR SaaS business has grown at a fast pace. The revenue from our AR/VR SaaS business increased by 41.8% from RMB6.5 million in 2019 to RMB9.2 million in 2020, and further increased by 122.9% to RMB20.6 million in 2021, and increased by 353.2% from RMB2.1 million for the three months ended March 31, 2021 to RMB9.5 million for the three months ended March 31, 2022.

Our IP business licenses IP rights to customers to enable them to develop games, cartoons, TV plays, movies and other works. During the Track Record Period, we mainly licensed out IPs we purchased from third parties. We have shifted our focus and going forward, we will mainly use IP resources to support our AR/VR businesses and license IP rights on a case-by-case basis to meet specific customer demands.

Our AR/VR business brings value to various stakeholders and enables stakeholders to interact with each other while developing our own business. Our AR/VR business mainly involves media platforms and their agents, IP and material suppliers, customers and end users.

Our AR/VR business model is illustrated as below:



- **Media platforms and their agents:** We cooperate with diverse media platforms and their agents in a variety of modes to obtain traffic for our advertising customers who have AR/VR advertising needs. Media platforms and their agents from whom we purchase advertising traffic would use our AR/VR SaaS platform in the following steps to support our AR/VR marketing services.

Step 1: We develop AR/VR content modules and development tools and place them on our AR/VR SaaS platform.

Step 2: Media platforms or their agents from whom we purchase advertising traffic would register an account with our AR/VR SaaS platform as they require our AR/VR technology and expertise.

Step 3: Media platforms or their agents use our AR/VR SaaS platform to customize their own AR/VR content based on our modules.

Step 4: After generating AR/VR content on our AR/VR SaaS platform by using our AR/VR content modules, media platforms or their agents would embed advertising spaces in the AR/VR content.

Step 5: Media platforms or their agents would place a link to the AR/VR content on the media platform.

Step 6: Advertisements from our advertising customers would be inserted onto the advertising spaces. When users of the media platforms access the media platforms and click on the link to the AR/VR content, their devices will be connected to our server and the users of the media platforms would be able to browse the AR/VR content customized by the media platforms or their agents and exposed to the advertisements from our advertising customers.

On the one hand, the arrangement provides Internet traffic to our advertising customers and generates revenue for our AR/VR marketing services business; on the other hand, it makes our AR/VR content widely used on media platforms, enhancing brand recognition of our AR/VR SaaS platform while empowering media realization for media platforms. We make adjustments to the mix of our media platforms in accordance with market changes, media technological development and end-user behavior, and do not rely on any single media platform. While continuing to deepen our cooperation with existing media platforms and their agents, we also strive to explore business cooperation with new media platforms and their agents. Leveraging our relationship with these media

platforms and their agents, we can assist our customers to obtain quality services and secure considerable traffic. During the Track Record Period, we promoted over 250 advertising products.

- **Customers:** For our AR/VR marketing services, our main target customers include companies that wish to enhance their visibility, maintain their existing market influence or raise their brand awareness, and their advertising agents and other companies that have demands for AR/VR marketing services. Our customers for AR/VR content are mainly companies from various industries, including entertainment, gaming, education, culture and tourism, technology, healthcare and automobiles. Our AR/VR SaaS business mainly provides services to small to medium companies with commercial interest in monitoring their own marketing performance. Our IP customers are mainly content developers which have a demand for our IP resources. We have accumulated a diversified customer base. During the Track Record Period, we have provided AR/VR marketing services or content to customers from over 10 industries, including entertainment, gaming, Internet, e-commerce, culture and tourism, business services, education, finance, real estate, automobiles, live-streaming, technology and healthcare.
- **Material and IP suppliers:** We cooperate with various material and IP suppliers to provide enriched content foundation including literature, cartoon images and other types of copyrights, graphic designs and video materials for all of our major business segments. We review the content material and IP material provided by material and IP suppliers, which are then further refined and integrated into our AR/VR products before being presented to our customers.
- **End users:** We bring our end users the experience of combining the virtual and the physical world. We have a wide variety of end users. With respect to our AR/VR marketing services, the end users include a diverse range of online and offline consumer groups targeted by our advertising customers. With respect to our AR/VR content, the end users include students, tourists, employees in companies and users from various industries. According to iResearch, AR/VR end users are currently mainly young people.

Our AR/VR underlying technology, AR/VR content technology, AR/VR platform technology and accumulated copyrights collectively lay the foundation of our operation. We are able to assist our customers in initiating a series of AR/VR activities which take place in various online or offline channels.

OUR SERVICES AND PRODUCTS

AR/VR marketing services

During the Track Record Period, AR/VR marketing services was our primary source of revenue. The AR/VR services market refers to the market that focuses on creating overall solutions to address customers' business needs. The AR/VR services providers often generate revenue based on performance effect and may be involved in customers' AR/VR-related operation. We primarily provide AR/VR marketing services to our advertising customers. The provision of AR/VR marketing services to advertising customers was our largest revenue contributor during the Track Record Period. For our AR/VR marketing services, we mainly engage advertising customers, media platforms and their agents, and end users. We provide advertising customers with solutions based on our self-developed and diversified AR/VR content. Enabled by our AR/VR development engines, our advertising customers' advertisements are placed on various media platforms including apps, mini-programs, mini-games, H5 pages and official accounts. Our media platforms include apps from major Internet companies used for entertainment, social media, weather, reading and other purposes. The mini-programs, mini-games and official accounts are provided by third parties on WeChat, a Chinese instant messaging app. The H5 pages are websites accessible by the public. We help our advertising customers deliver marketing information to end users so that they can achieve their business objectives which we believe may in turn improve their return on marketing investment efficiently. At the same time, by effectively meeting the demand of our advertising customers with the traffic of media platforms, media platforms are able to monetize their traffic. According to iResearch, we ranked the first in terms of revenue in the AR/VR services market in China, amounting to 13.5% of the market share in 2021, which was over 10% higher than that of the company ranking second. The AR/VR marketing services market is a major component of the AR/VR services market in China.

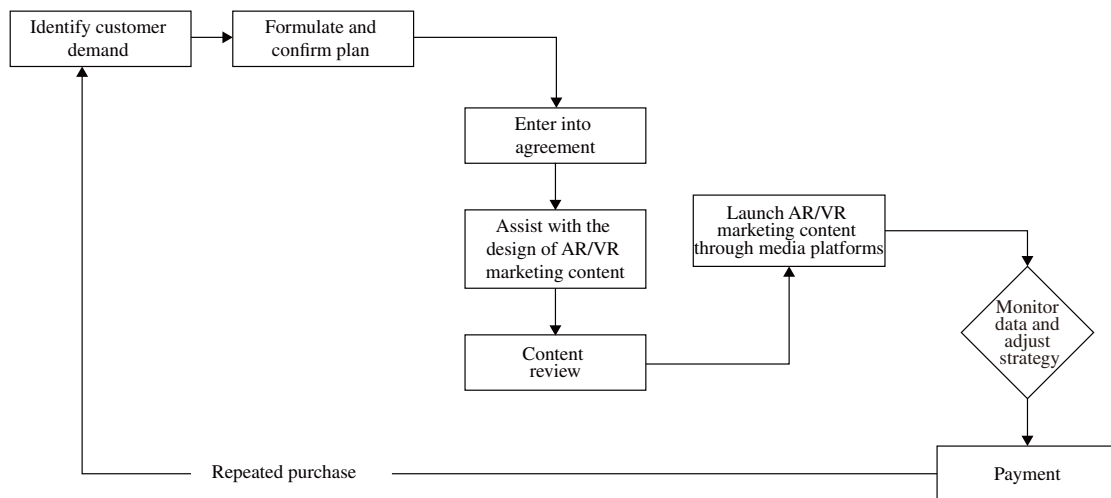
We usually develop AR/VR content modules and development tools and place them on our Wanjie Smart Marketing platform, our current AR/VR SaaS platform. Media platforms or their agents can use the modules and development tools on our AR/VR SaaS platform to customize their own AR/VR content where advertising spaces would be provided. Media platforms or their agents can place a link to the AR/VR content. By clicking on the link, end users will be able to view the AR/VR content and the advertisements from our advertising customers and thus generate revenue for our AR/VR marketing services. While we do not require registered users of our AR/VR SaaS platform to embed advertising space and display advertisements from our advertising customers in the AR/VR content developed on our SaaS platform, which, according to iResearch, is a common practice among AR/VR SaaS platforms, media platforms and their agents from whom we acquire traffic would embed advertising space and display our advertising customers' advertisements to monetize their traffic and to ensure better display effects as our SaaS platform provides improved compatibility for the advertisements from our advertising customers.

BUSINESS

We help advertising customers to create cross-platform and AR/VR marketing materials, and furnish end users with an immersive experience. During the Track Record Period, we provided AR/VR marketing services to a total of over 50 advertising customers in various industries and promoted over 250 advertising products, the majority of which were apps and websites. Moreover, our AR/VR SaaS platform collaborates with diversified media platforms and help our customers utilize AR/VR technology to access the increased traffic in the 5G era and construct an immersive experience to increase the engagement level of users effectively.

Business process

The business process of our typical AR/VR marketing services is illustrated as below:



- **Identify customer demand:** We first engage in discussions with potential advertising customers to understand their marketing demands and objectives. We introduce our AR/VR marketing services to the potential advertising customers to allow them to gain a preliminary understanding of how we may fulfil their marketing demand.
- **Formulate and confirm plan:** After identifying and clarifying potential advertising customers' demand, we develop a specific AR/VR marketing services plan according to the instructions and requirements of potential advertising customers taking into account characteristics of their brands. Our AR/VR marketing services plan typically includes online launch strategies, offline activity planning (if needed), target audience, and evaluation methods of marketing effect. We explain to the potential advertising customers on the forms of AR/VR content and the roles such AR/VR content plays in the overall marketing plan. After communicating with potential advertising customers about the marketing plan, we make adjustments according to their feedback and confirm the final plan with them.

BUSINESS

- **Enter into agreement:** After completing the initial business negotiation and confirming the AR/VR marketing services plan with the potential advertising customer, we enter into an agreement with the advertising customer.
- **Assist with the design of AR/VR marketing content:** We assist in designing AR/VR promotional activities and/or AR/VR scenarios in support of the formulated AR/VR marketing services plan. We usually develop AR/VR content modules and development tools and place them on our Wanjie Smart Marketing platform, our current AR/VR SaaS platform. Media platforms or their agents use the modules and development tools on our AR/VR SaaS platform to customize their own AR/VR content where the advertisements from our advertising customers are then embedded. We help our advertising customers choose media platforms and AR/VR content that match their advertisements. As each promotional activity has a specific target audience and each media platform has its own usual audience, our sales team would perform an initial matching of the advertisement from our advertising customer with the media platform according to the requirements and needs of the customer. We would then communicate with the media platform or its agent on the potential advertisement placement and obtain a quote for the advertising traffic. Finally, we would decide on which media platform our advertising customers' advertisement will be placed taking into account the quote obtained.
- **Content review:** Throughout the provision of AR/VR marketing services, our legal and compliance team reviews the advertisement content provided by our advertising customers to ensure service quality as well as compliance with the relevant laws and regulations.
- **Launch AR/VR marketing content through media platforms:** Media platforms or their agents can place a link to the AR/VR content. The AR/VR content and the advertisements are launched once the link is placed on the media platforms. By clicking on the link, end users will be able to view the AR/VR content and the advertisements from our advertising customers. With our diversified media platforms, we believe we can offer coverage of a large base of target audience with a diverse background. To a lesser extent, depending on the particular needs of a project, we may organize offline activities with the same theme as our online AR/VR advertisements placements to strengthen the marketing effect. We recognize revenue from offline activities as revenue of promotion services in our other businesses.
- **Monitor data and adjust strategy:** Once the launch is completed, we monitor the effect periodically. We are able to adjust the strategy promptly, including adjusting the media platforms and the target audience, thus achieving a performance effect satisfactory to our advertising customers.

- **Payment:** At the end of an AR/VR advertising campaign, we prepare a completion report according to the advertising customers' requirements to inform them of the marketing results. We issue monthly statements to our advertising customers based on the marketing effect using one of our pricing models. According to iResearch, such arrangement is consistent with the industry practice across AR/VR services industry in China.

Material terms of agreements with our AR/VR marketing services customers

We usually sign an annual underlying framework agreement with our advertising customers. Material terms of the agreement generally include:

- **Our scope of services:** According to the advertising customers' needs, our services generally include marketing planning and advertisement placements. Our advertising customers are entitled to monitor the status of advertisement placements.
- **Pricing, payment method and settlement:** We set out the pricing model of our marketing services in the framework agreement or in a separate advertising order with the customers. We charge our customers based on actual performance effect. Payment is usually settled in RMB by bank transfer.
- **Data statistics:** Generally, when assessing effect data statistics, the statistics from our advertising customers' statistics system shall prevail in case of discrepancies. We are entitled to check the authenticity of relevant data on the sales inquiry background platform and the sales reconciliation platform of the advertising customers.
- **Term:** The initial term is generally one year, and may be renewed for another year automatically upon expiry.

We are generally not required to refund any fees charged to our advertising customers under our agreements with them. We had not made material refund to our advertising customers during the Track Record Period.

Pricing models and fees settlement

We charge AR/VR marketing services customers based on multiple pricing models for our AR/VR marketing services, which mainly include CPA, CPC and CPM. CPA, namely, the cost-per-action mechanism, is a performance-based pricing model where our advertising customers are charged on the basis of each action of the end user such as download, installation or registration. CPA suits advertising customers valuing end users taking specific actions, for

example, registration of an account with them or downloading their apps. CPC, namely, the cost-per-click mechanism, is a performance-based metric and under which we charge our advertising customers when and if an end user clicks on the advertisement. CPC suits advertising customers pursuing the performance of an advertisement, as a click on the advertisement indicates a customer's interest in the distributed content, making such customer the advertiser's potential customer. CPM, which stands for cost-per-mille, depends on the number of viewers of the advertisement. Under CPM, we charge our advertising customers based on 1,000 impressions, which is the number of times the advertisements have been displayed. CPM suits advertising customers aiming to increase the exposure of their brands, products or services. For each transaction, we charge customers using one pricing model.

The unit price per CPA, CPC or CPM varies based on product type and media platform. The unit price per CPA, CPC or CPM is affected by several factors, including:

- (i) **Type of media platform.** Different media platforms charge differently as each platform has its own pricing policies and different market positions taken into account its target audiences and traffic characteristics;
- (ii) **Traffic characteristic.** Traffic acquisition unit price varies by (a) time slot when the marketing campaign is distributed, (b) the length of time it is distributed and (c) geographic location where the traffic was from. For example, unit price for traffic during lunch time and dinner time is relatively high;
- (iii) **Marketing budgets and aggregate purchase amount.** Larger marketing budgets and aggregate purchase amounts generally enables volume sales and lower unit price for traffic; and
- (iv) **Marketing campaign duration.** The length of marketing campaign duration usually affects the unit price for traffic.

During the Track Record Period, the fees we charged for each advertising product ranged from RMB30,000 to RMB20 million. The large fee variance was mainly due to differences in (i) the length of time we promoted the product and (ii) the number of advertising spaces for each product.

BUSINESS

The following table sets forth a breakdown of our revenue from our AR/VR marketing services business by pricing model during the Track Record Period:

	For the year ended December 31,						For the three months ended March 31,	
	2019		2020		2021		2022	
	RMB'000	%	RMB'000	%	RMB'000	%	RMB'000	%
CPA	58,381	42.6	34,910	24.6	235,429	62.6	88,936	53.7
CPC	—	—	40,178	28.4	9,372	2.5	2,394	1.4
CPM	70,243	51.2	66,613	47.0	131,540	35.0	74,244	44.9
CPT ^(Note)	8,479	6.2	—	—	—	—	—	—
Total	137,103	100.0	141,701	100.0	376,341	100.0	165,574	100.0

Note: CPT, namely, the cost-per-time mechanism, is a time-based pricing model under which we charge our advertising customers for placing advertisements for a specific period of time contractually agreed by our advertising customers and us. We no longer adopt CPT, a pricing model after 2019 as our advertising customers preferred other pricing models over CPT.

We issue a monthly statement to our customers, which sets out the terms agreed between the parties, including the pricing model, unit price, number of units and the amount of each marketing campaign for customers to confirm. We generally grant a credit term of several working days to six months typically after we issue a VAT invoice to our customers.

As we are responsible to our advertising customers for the final marketing effect, we recognize revenue on a gross basis, and recognize the traffic acquisition costs with customers as cost. For further details of our revenue recognition policy, see the paragraph headed “Financial Information — Significant accounting policies and key sources of estimates — Revenue from contracts” in this prospectus.

Our AR/VR marketing services customers

Since our operation of AR/VR marketing services business in 2017, we have accumulated diverse customer groups from various industries. During the Track Record Period, our revenue mainly came from advertising customers from various industries, including entertainment, gaming, Internet, e-commerce, culture and tourism, business services, education, finance, real estate, automobiles, live-streaming and healthcare. We adopt a similar business model for our AR/VR marketing services for customers from all industries. For example, for the gaming and entertainment industries, we also follow the business process illustrated in the paragraph headed

BUSINESS

“— Our Services and Products — AR/VR marketing services — Business process” in this section. Based on the requirements of our advertising customers, we charge our customers using one of our pricing models, namely CPA, CPM or CPC.

The following table sets forth a breakdown of our revenue from our AR/VR marketing services business by customer industry in absolute amounts and as a percentage of our total revenue from the AR/VR marketing services business for the periods indicated:

	For the year ended December 31,						For the three months ended March 31,	
	2019		2020		2021		2022	
	RMB'000	%	RMB'000	%	RMB'000	%	RMB'000	%
Gaming	12,650	9.2	32,900	23.2	173,112	45.9	46,952	28.4
Entertainment	7,320	5.3	7,194	5.1	31,830	8.5	27,668	16.7
Internet	30,414	22.2	53,462	37.7	76,120	20.2	38,772	23.4
Culture and tourism. . .	14,934	10.9	13,693	9.7	33,788	9.0	25,828	15.6
E-commerce	26,591	19.4	4,854	3.4	20,907	5.6	14,777	8.9
Real estate	5,570	4.1	2,908	2.1	—	—	5,516	3.3
Automobiles	3,166	2.3	1,613	1.1	7,420	2.0	3,350	2.0
Business services	16,098	11.7	16,327	11.5	2,242	0.6	864	0.6
Healthcare	1,886	1.4	—	—	2,301	0.6	826	0.5
Finance	3,668	2.7	5,378	3.8	16,091	4.3	517	0.3
Live-streaming.	—	—	2,632	1.9	4,224	1.1	504	0.3
Education.	14,806	10.8	740	0.5	8,306	2.2	—	—
Total.	137,103	100.0	141,701	100.0	376,341	100.0	165,574	100.0

Our diverse media platforms

Generally, we place advertisements for our advertising customers by gaining traffic through various media platforms or their agents. During the Track Record Period, the major media platforms that we obtained traffic from include websites, apps and social media platforms. During the Track Record Period, we directly engaged 39 agents of media platforms through which we reached out to a wide group of media platforms and three media platforms which generated their own traffic through apps. We primarily dealt with agents of media platforms during the Track Record Period, which is a common industry practice according to iResearch, as most media platforms engage agents to handle their traffic resources. As we typically acquire traffic from small to medium media platforms, it is more efficient for us to directly engage agents of media platforms to reduce the number of counter-parties we negotiate with. No rebates were provided to

us by the media platforms or their agents during the Track Record Period. When we make bulk purchases, we may benefit from the enhanced negotiation power and may be able to obtain traffic with a more favorable price from media platforms or their agents.

Traffic acquisition cost

We usually adopt CPA, CPC and CPM as the pricing model for our payment to media platforms or their agents. Our traffic acquisition cost is based on the price of traffic, as determined according to the real-time quote of the media platform or their agents, and the actual amount of the traffic purchased depends on the results of actual performance.

We mainly collect effect data statistics of each marketing campaign through our own platform. When the users access the AR/VR content on our server, we collect data including the number of the clicks on the advertisements and the duration of the viewing of the advertisements. In addition, our advertising customers would also share with us the data available to them. We generally use the effect data agreed upon between the parties as the basis for the amount of fees we charge our advertising customers. We check and verify the data statistics with our advertising customers, media platforms or their agents on a monthly basis. Our platform would generate effect data for the previous month, including the number of advertising spaces, advertisement impressions, clicks and conversions. We would review the data and prepare monthly statements for each product we promoted. Our monthly statements contain information, including the types of advertisement placements, unit price, number of units and total amount. We would then check and verify the data with our advertising customers and media platforms or their agents. If there is a dispute on the data, the party finding the data inaccurate must notify the other party within a stipulated time frame (usually from 48 hours to 15 days) and the data will be verified by both parties. If parties are unable to agree on the data within five days from the date of notice through negotiations, the buyer's data shall prevail. According to iResearch, our system of assessing data statistics is consistent with the common practice for assessing performance effects in the AR/VR services industry in China, in which case downstream buyers often prevail in case of discrepancies.

During the Track Record Period, we did not have any dispute with any of our advertising customers or media platforms or their agents in relation to the assessment of data statistics.

BUSINESS

Material terms of the agreements with media platforms and their agents

We usually enter into an annual underlying framework agreement with agents of media platforms, and to a lesser extent, media platforms. Material terms of the agreements generally include:

- **Advertisement content:** We are obliged to ensure that none of the content we publish on the media platforms violates national laws, public order or good moral standards. The media platforms and their agents are entitled to review the materials we provide and to request for amendments.
- **Pricing, payment method and settlement:** We set out the pricing model of marketing services in the framework agreement or, to a lesser extent, in a separate advertising order with the media platforms or their agents. The amount of costs we are charged by the media platforms or their agents is based on actual performance effect using statistics from our system. Payment is usually settled in RMB by bank transfer.
- **Data statistics:** When assessing effect data statistics, the statistics from our statistics system shall prevail in case of discrepancies. We are responsible for the authenticity and validity of the effect data statistics. The media platforms or their agents may enter and check our statistics system in a way authorized by us.
- **Term:** One year in general.

Key Operating Data

The following table sets forth certain key operating data of our AR/VR marketing services business:

	For the year ended December 31,			For the three months ended
	2019	2020	2021	March 31, 2022
Number of advertising customers ⁽¹⁾ . .	19	23	24	21
Monthly average number of advertising products promoted ⁽²⁾ . .	16	17	49	75
Average spending per advertising customer (RMB in thousands) ⁽³⁾ . .	7,216	6,161	15,681	7,884
Contract renewal rate ⁽⁴⁾	10.5%	17.4%	50.0%	81.0%

BUSINESS

- (1) It refers to the number of customers who purchased our AR/VR marketing services during the period.
- (2) It refers to sum of the number of advertising products we promoted in our AR/VR marketing services business in each month for a period divided by the number of months during the period. Our monthly average number of advertising products increased from 17 in 2020 to 49 in 2021 mainly as advertising products we promoted for customers from the entertainment and Internet industries increased in 2021 driven by the growing market demands, which was reflected in the increase in our revenue from the entertainment and Internet industry customers in 2021. The increase of our monthly average number of advertising products in 2021 was also reflected in the increase in the average number of advertising products we promoted for both our existing and new customers. The average number of advertising products we promoted for each of our existing customers increased from 3.5 in 2020 to 5.2 in 2021 (excluded duplicated advertising products by month) and the average number of advertising products we promoted for each of our new customers increased from 1.9 in 2020 to 6.0 in 2021 (excluded duplicated advertising products by month). Our monthly average number of advertising products increased further to 75 in the three months ended March 31, 2022 mainly driven by the growing market demands, particularly demands from the entertainment and Internet industries.
- (3) It refers to the total revenue generated from our AR/VR marketing services business for a period, divided by the total number of advertising customers for the same period. Our average spending per advertising customer increased from RMB6.2 million in 2020 to RMB15.7 million in 2021 mainly due to the combined effect of (i) the increase in the average number of advertising products we promoted for both our existing and new customers. The average number of advertising products we promoted for our existing customers increased from 3.5 in 2020 to 5.2 in 2021 (excluded duplicated advertising products by month) and the average number of advertising products we promoted for our new customers increased from 1.9 in 2020 to 6.0 in 2021 (excluded duplicated advertising products by month); and (ii) the increase in the average promotional duration of the advertising products we promoted from 110.4 days in 2020 to 133.2 days in 2021.
- (4) It refers to the number of AR/VR marketing services contracts from recurring customers during the period divided by the total number of AR/VR marketing services contracts during the period. The contracts from recurring customers included contracts renewed automatically upon expiry in accordance with the annual framework agreements entered into with our advertising customers. The contract renewal rate of our AR/VR marketing services increased during the Track Record Period mainly because our Directors believe that more customers repeatedly engaged us in recognition of the services we provided. The contract renewal rate for the three months ended March 31, 2022 is high and will not be representative of the contract renewal rate for 2022 mainly because we generally do not reach out to as many new customers in the first quarter of each year as the rest of the year due to the closure of businesses at the beginning of the calendar year in which the Chinese New Year holidays fall resulting in fewer new customers in the first quarter of the year compared with other quarters. In addition, the contract renewal rate for the three months ended March 31, 2022 is not comparable to the contract renewal rates for 2019, 2020 and 2021 due to the difference in time span.

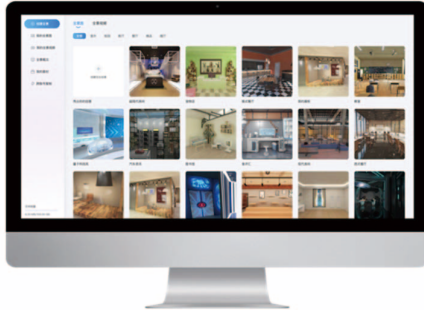
Cases

- **Gaming and entertainment:** In April 2021, a top game development and operation company in China engaged us for its marketing campaign for one of its most popular games through an agent. Before the game advertisements were distributed, media platforms or their agents would customize AR/VR content on our AR/VR SaaS platform and embed advertising spaces. See the paragraph headed “— Our Business — Media platforms and their agents” in this section for detailed steps.

BUSINESS

Below are the illustrations of how media platforms and their agents customize AR/VR content on our AR/VR SaaS platform and embed advertising spaces.

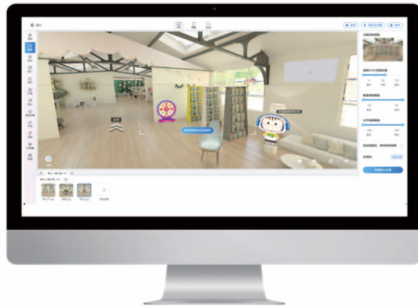
VR



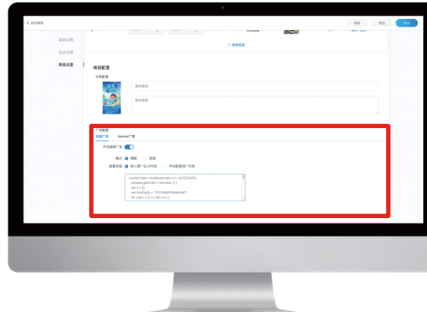
AR



We provide AR/VR content modules and development tools on our AR/VR SaaS platform.



Media platforms or their agents customize their own AR/VR content based on our modules.



Media platforms or their agents embed advertising spaces in the AR/VR content.

Notes:

- (1) The advertising spaces are created in the VR content.
- (2) The appearance, size and position of the advertising spaces can be adjusted on the settings panel.

BUSINESS

We carried out marketing campaigns for the game for over one year and placed the advertisements in the dynamic content environment created with our AR/VR content modules by various media platforms and their agents. We directly engaged eight agents to place advertisements for the game. Indirectly through their agents, we reached out to a wider group of media platforms.

Below are the illustrations of the game advertisements embedded in AR/VR content generated by media platforms or their agents using our AR/VR SaaS platform.



Notes:

(1) to (3) are advertisements displayed in VR content with advertisements placed in red squares for illustration purposes:

- (1) A home interior scene with advertisement on the picture hanging on the wall
- (2) An outdoor camping scene with advertisement on the painting board
- (3) A street scene with advertisement on the billboard

(4) to (6) are advertisements displayed in AR content with advertisements placed in red squares for illustration purposes:

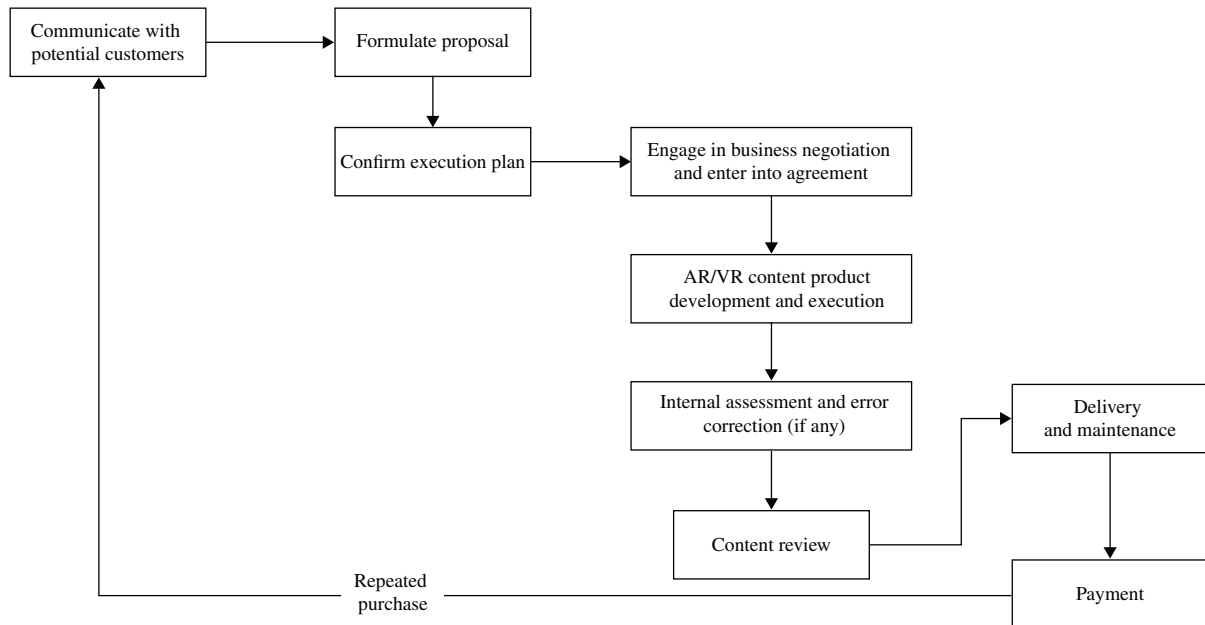
- (4) An advertisement pop-up page at the start of the AR game
- (5) Description of the AR game
- (6) An advertisement pop-up page at the end of the AR game
- (7) Part of the advertisements have been blurred to protect customer sensitive information.

AR/VR content

Utilizing our self-developed AR/VR development engines, our AR/VR content business offers customized content according to the needs of customers. The AR/VR content market refers to the market that focuses on providing content, building scenarios, and providing solutions using AR/VR technology for various industries. We provide AR/VR content to customers from various industries, including entertainment, gaming, education, culture and tourism, technology, healthcare and automobiles, and bring end users a diversified and immersive experience in a virtual world. During the Track Record Period, we provided AR/VR content to over 60 customers, and accumulated development experience in more than 150 AR/VR content projects. The time needed for developing different AR/VR content products may vary depending on the type and complexity of the product.

Business process

Our AR/VR content primarily delivers AR/VR-based customized content to customers. Generally, it takes one month to one year from the commencement of an AR/VR content product development to the delivery of the AR/VR content product. The business process of our AR/VR content is illustrated as below:



- **Communicate with potential customers:** We engage in preliminary discussions with potential customers to understand the customers' demand for the type of our AR/VR product and specific requirements for the interactive content.
- **Formulate proposal:** After understanding the customers' demand, we conduct preliminary analysis and product design, based on which we will prepare an AR/VR product proposal.
- **Confirm execution plan:** We discuss with the potential customers about our preliminary AR/VR product proposal, make adjustments according to the customers' feedback and confirm the final execution plan with the customers.
- **Engage in business negotiation and enter into agreement:** We usually enter into an agreement with our customers after understanding their demands and confirming the development plan and design parameters.

- **AR/VR content product development and execution:** During the process of product design, we maintain regular communication with our customers and modify our product and execution plan based on their feedback. We also provide progress reports on a regular basis according to our customers' needs. Based on the estimated workload of the product development, we may engage a subcontractor to assist in the product development. We typically subcontract art design and non-core technical support to third party service providers. Consent from our customers are usually not required for subcontracting.
- **Internal assessment and error correction (if any):** Our development team will examine and correct any operational error discovered in the internal assessment process. After we have corrected any error discovered and made necessary adjustments, we will conduct another assessment on the new version of the AR/VR product. We will repeat the assessment process until no further error is discovered.
- **Content review:** Throughout content development and product design, our legal and compliance team reviews the content to ensure product quality as well as compliance with the relevant PRC laws and regulations.
- **Delivery and maintenance:** We deliver our products to our customers within the time period stipulated in the agreement, assist our customers in installing, launching, testing the product, provide operational guidance to our customers' employees, and provide subsequent maintenance services as stipulated in the agreement.
- **Payment:** Generally, our customers pay us design and development fees after the AR/VR product is accepted. According to iResearch, such arrangement complies with the industry practice of the AR/VR content industry in China.

Pricing model

We charge our customers different rates for the AR/VR content product development taking into account the following factors:

- **Complexity of design and development:** We charge a higher fee for more complex design or development. Prior to execution of contract, our R&D team assesses the estimated costs of design and development based on past experience of similar projects.
- **Business relationship:** We take into account our business relationship with customers, including the length of our cooperation with the customers and the strategic value of the customers to us.

BUSINESS

- **Payment arrangement:** If customers pay a deposit to us within a short period of time after entering into the contract, we may offer a more favorable quotation to them by reference to the deposit amount. Some of our customers would pay 20% to 50% of the total price as the deposit.

While we utilize the existing modules provided on our AR/VR SaaS platform in providing customized AR/VR SaaS solutions, we develop our AR/ VR content products from scratch. During the Track Record Period, the fees we charged for each AR/VR content project ranged from RMB1,000 to RMB48 million. We generally divide our AR/ VR content products into two categories based on the price range:

- **Basic products:** For basic products, we generally charge less than RMB1 million for developing products with AR/VR content in simple forms and with short duration, for example cloud stores.
- **Advanced products:** For advanced products, we generally charge more than RMB1 million for developing products with AR/VR content in complicated forms providing more AR/VR experiences, for example entertainment content viewed on VR equipment and education content.

During the Track Record Period, the majority of our AR/VR content revenue was generated from products that we charged more than RMB1 million.

We have established a standard pricing guidance incorporating each of the above considerations for our sales team. Our sales team should obtain customer orders according to such guidance and provide sales proposals for internal approval. Once the proposals have been approved, a customer order will be included in our system according to the schedule agreed with our customer and such customer order will be carried out.

Our AR/VR content customers

During the Track Record Period, we provided AR/VR content to customers from various industries, including entertainment, gaming, education, culture and tourism, technology, healthcare and automobiles. We utilize the same underlying technology and content technology and adopt a similar business model to produce AR/VR content for customers from different industries. In addition, we cater to the demands specified by customers from various industries aiming to provide content that meets their needs. For example, catering to the demands specific to customers from the entertainment industry, we typically need to outsource more art-designing services to subcontractors and acquire more content materials than we would for customers from other industries.

BUSINESS

The following table sets forth a breakdown of our revenue from our AR/VR content business by customer industry in absolute amounts and as a percentage of our total revenue from the AR/VR content business for the periods indicated:

	For the year ended December 31,						For the three months ended March 31,	
	2019		2020		2021		2022	
	RMB'000	%	RMB'000	%	RMB'000	%	RMB'000	%
Entertainment	9,434	20.8	48,113	42.0	66,751	41.4	16,828	31.4
Gaming	5,660	12.5	12,538	10.9	58,876	36.4	16,266	30.3
Education	12,349	27.3	33,165	28.9	24,151	15.0	12,152	22.6
Technology	5,557	12.2	1,962	1.7	7,286	4.5	4,752	8.9
Automobiles	—	—	—	—	189	0.1	2,597	4.8
Culture and tourism . . .	12,323	27.2	13,555	11.8	4,081	2.5	1,090	2.0
Healthcare	—	—	5,425	4.7	61	0.1	—	—
Total	45,323	100.0	114,758	100.0	161,395	100.0	53,685	100.0

The contract renewal rate does not apply to our AR/VR content business due to the project-based nature of our AR/VR content business, with one contract corresponding to one to several projects.

Material terms of the agreements with our AR/VR content customers

We usually enter into a separate agreement with our customers for each AR/VR content product. The material terms of the agreement usually include:

- **Development period:** Our content development period generally ranges from one month to one year, depending on our customers' requirements.
- **Our products:** We develop AR/VR content based on the design parameters required by our customers.
- **Intellectual property ownership:** Generally, our customers own the intellectual property of the products that they engage us to develop.
- **Payment and settlement:** Our customers generally pay the price of the AR/VR content product after the product is accepted. Some of our customers would pay the first portion, ranging from 20% to 50% of the total price, upon entering into of the agreement, and pay the outstanding balance upon acceptance of the product. During the Track Record Period, all AR/VR content agreements with our customers were settled in RMB.

BUSINESS

Some of our agreements with AR/VR content customers contain a term requiring us to refund the customer at the discretion of the customer if our content leads to the customer receiving complaint, or results in dispute or litigation with third parties or administrative sanctions. We had not made material refund to our AR/VR content customers during the Track Record Period.

Material terms of the agreements with our AR/VR content suppliers

Our major suppliers of AR/VR content business are primarily companies which offer subcontracting and development services or provide PGC video materials. For material terms of the agreements with our subcontractors, see the paragraph headed “— Our Suppliers — Subcontracting” in this section.

We usually enter into PGC video copyright cooperation agreements with suppliers of PGC video materials. Material terms of the typical agreements generally include:

- **Scope and means of cooperation:** We are entitled to use the PGC video materials whose copyrights belong to our suppliers. We may use the PGC video materials on the websites or the platforms we own or operate. We can decide how to use the PGC video materials, including uploading, copying, transmitting, promoting and editing the materials and making the materials available for our users to search, browse, view on demand or live-stream, and download.
- **Payment and settlement:** We are generally required to settle payment to our suppliers within 15 working days after our suppliers have delivered the PGC video materials and issued the relevant invoices to us.
- **Term:** The term of the agreement is generally around four years.
- **Termination:** The agreement may generally be terminated by the non-defaulting party in the event of a material breach that is not remedied within a prescribed time period.

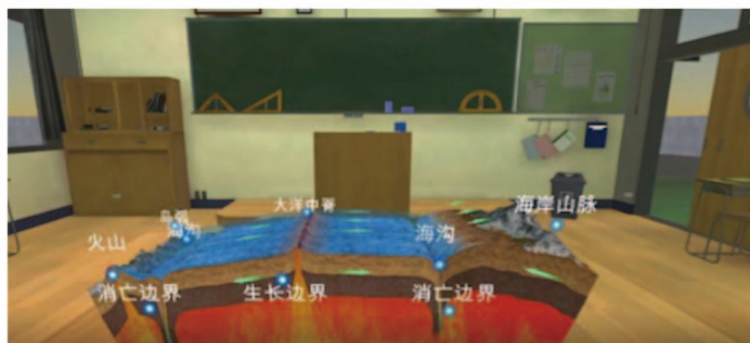
Cases

Over the years of operation, we have accumulated abundant experience in AR/VR content development for our customers across various industries:

- **Education:** In 2021, we developed a VR courseware customized for a middle-school geography course for an education business subsidiary under an Internet technology group operating one of the largest search engines in China in terms of the average daily active users in 2020. By simply wearing a VR device, students can learn the structure of the earth, the formation of the air pressure zones in a visual and interactive way, thereby

appealing to the interest of students and enhancing their level of involvement, which ultimately aims to make it easier for students to absorb the knowledge in the geography course. Compared with traditional teaching methods, an immersive learning environment brought by a VR courseware is designed to motivate students to learn and enhance their learning efficiency.

Below are the illustrations of the VR geography course materials.



- **Gaming and Entertainment:** In 2021, a culture and entertainment company engaged us to develop a VR shooting game. Using our Uni-Play engine and Uni-VR engine and leveraging our PBR modeling and rendering technologies, we are able to present a science fiction world where users can battle with alien creatures by wearing VR equipment and holding electronic devices as weapons. According to iResearch, in 2021, there were over 666 million game players in China and the total revenue of the gaming industry in China was RMB296.5 billion. According to iResearch, the AR/VR games market in China is still at an early growing stage limited by the low hardware penetration rate. Nonetheless, the AR/VR games market is expected to experience significant growth with the development of 5G technologies and cloud gaming. For the avoidance of doubt, we were only engaged as a subcontractor to provide the VR content and were not involved in the games development or publishing.

Below are the illustrations of the VR game.



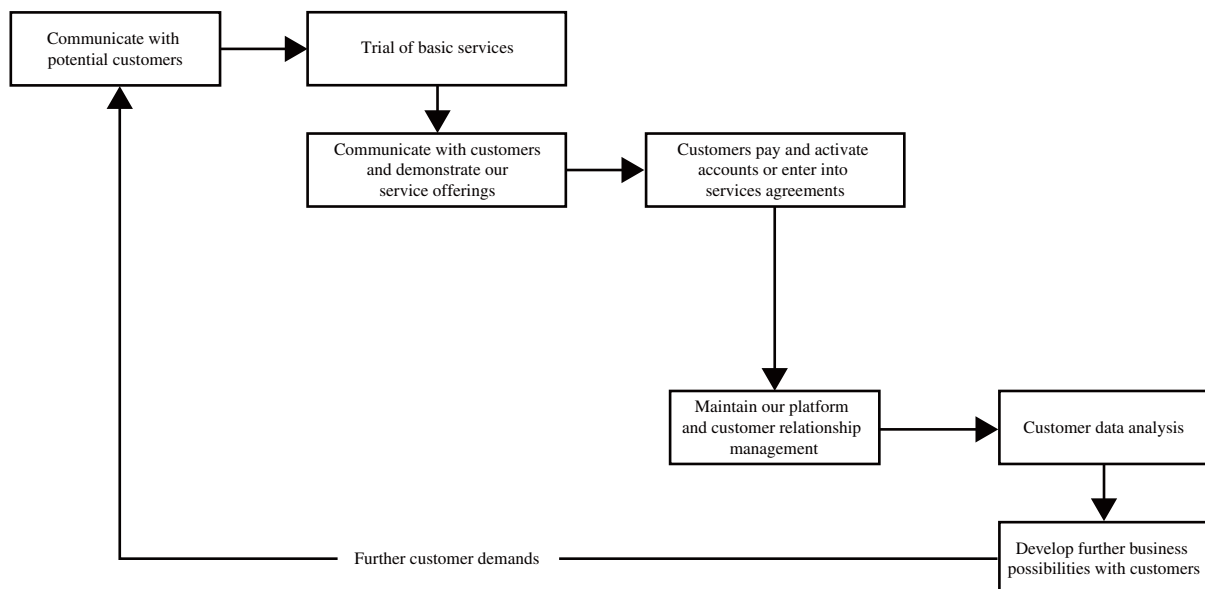
- **Culture and tourism (third-party Metaverse platform):** In November 2021, we were engaged by a subsidiary of a leading Internet company in China to develop a VR interactive product featuring an archaeological site of the Bronze Age culture in China for our customer's Metaverse platform. After entering the archaeological site virtually on our customer's Metaverse platform, the platform users may explore the site by digging the artifacts and learning the history and stories of the relevant artifacts. Platform users may also enjoy a singing show with band members featuring the signature artifacts at the archaeological site. Our VR interactive product became an integral part of our customers' Metaverse platform.

AR/VR SaaS

We established our AR/VR SaaS platform based on our AR/VR technology and accumulated experiences. Our AR/VR SaaS platform connects media platforms, IP and material suppliers and customers. Leveraging on years of marketing experience, data, strategies and technology accumulated in AR/VR content and services, we launched our AR/VR SaaS platform in 2017, thereby delivering subscribeptive and standardized AR/VR SaaS marketing solutions to our customers. After multiple iterations and upgrades, our AR/VR SaaS platform has matured and evolved into our current AR/VR SaaS platform, Wanjie Smart Marketing Platform. Our AR/VR SaaS platform enables our customers to monitor data and results. Our customers can select styles and interaction approaches on our AR/VR SaaS platform to cater to their operational demands, and motivate end users through reward distribution, such as red packets and coupons, using tools offered by us on our AR/VR SaaS platform. Our AR/VR SaaS platform provides our customers with a range of online AR/VR interactive content development and distribution tools and empowers our customers to create activities that offer experiences such as exhibition, showcase, live-streaming and marketing, with the goal to improve the level and extent of participation of their end users. For example, our customers may use the VR live-streaming function under VR panorama on our AR/VR SaaS platform to engage and interact with participants on mobile phones. Particularly, our customers may share the link to our VR panorama with participants, thereby the participants would be able to view the same scenes as the host.

Business process

The business process of our AR/VR SaaS business is illustrated as below:



BUSINESS

- **Communicate with potential customers:** We first communicate with potential customers, introduce to them the functions and diversified services on our AR/VR SaaS platform and understand their business needs and objectives.
- **Trial of basic services:** Potential customers may register accounts on our AR/VR SaaS platform for free to try out the basic services provided on our platform. Registered users have access to three gigabytes of storage space, basic AR/VR interactive content modules, AR/VR marketing scenario production tools, basic marketing program and marketing data display.
- **Communicate with customers and demonstrate our service offerings:** After the registered users have obtained a preliminary understanding and experience of our AR/VR SaaS platform, we demonstrate to them our service offerings, which include storage space, AR/VR interactive content modules and design functions, customized brand marketing programs, VIP customer services and platform API connection support.
- **Customers pay and activate accounts or enter into services agreements:** Once the registered users are satisfied with our demonstrations, they will sign subscription agreements with us and pay us an annual subscription fee or enter into service agreements with us to create customized SaaS solutions and pay us fees as set out in the agreements. We then upgrade the customers' accounts to give them access to the services they have chosen or develop customized SaaS solutions meeting the specific requirements of our customers.
- **Maintain our platform and customer relationship management:** Our AR/VR SaaS platform, as a SaaS platform, is maintained by our professional team. We solve problems encountered by our customers when using the platform and continuously upgrade and improve our platform based on customers' feedback.
- **Customer data analysis:** We collect and analyze the relevant data generated from customers when using our AR/VR SaaS platform, such as the number of visits and visitors and the number of activity participants, when our customers carry out AR/VR promotional activities on our platform. Through our data collection and analysis, we can understand the marketing outcomes of the various AR/VR functions on our AR/VR SaaS platform. We also improve our platform services by updating and upgrading AR/VR interactive content modules and development tools based on the feedback from customers and the results of marketing performance.

- **Develop further business possibilities with customers:** We keep in contact with our customers to understand their further requirements, such as artistic styles, interactive experiences, brand promotion, adjustment of functions and overall effect presentation, in order to develop additional business possibilities with customers.

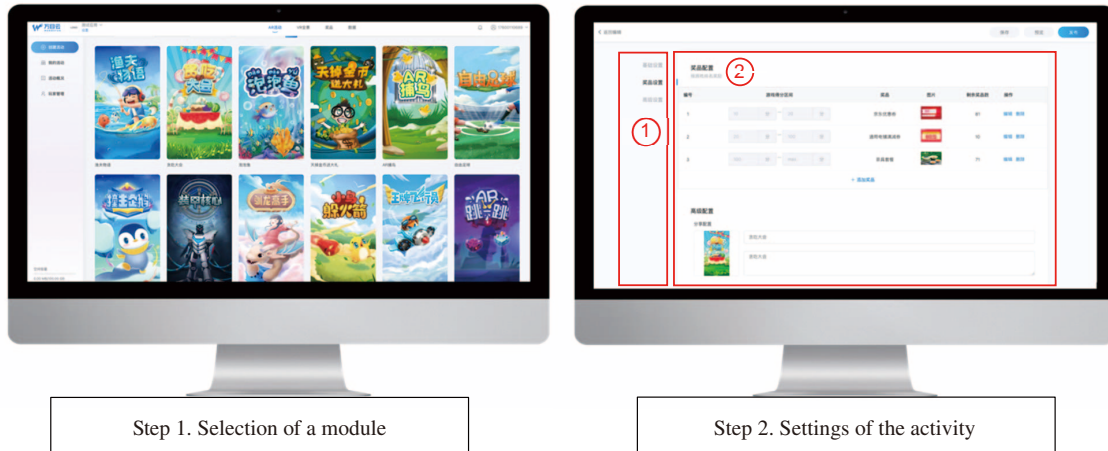
AR/VR SaaS services

Our AR/VR SaaS services comprise subscription-based and customized AR/VR SaaS solutions. For both subscription-based and customized AR/VR SaaS solutions, we categorize our solutions into two types, namely AR/VR promotional activities and VR panorama content. Customers can create AR/VR promotional activities and VR panorama content by choosing from a wide variety of AR/VR interactive content modules available on our AR/VR SaaS platform, according to their needs to empower their marketing campaigns.

- **AR/VR promotional activities:** Our customers can first select a module for the AR/VR promotional activity, then configure specific AR/VR promotional activities by setting various activity parameters. For example, our customers may choose whether to allow AR scanning, set the number of participation in the activity, the start and end time of the activity, the probability of winning at a lucky draw and the restrictions of the lucky draw. Our customers can also set and upload AR recognition images, generate a QR code or a link to the AR/VR promotional activity and set advertisement configurations. Once all the settings are configured, end users can take part in the AR/VR promotional activity via a QR code or a link to a webpage.
- **VR panorama content:** Our customers can create VR panorama content to promote their products via our AR/VR SaaS platform. By selecting a VR panorama module, our customers can select opening prompts, opening animations, automatic cruise, mobile phone gyroscope, user login method, advertising platform, for which our AR/VR SaaS platform has access to the APIs of several top e-commerce platforms in China, and other parameters. As a result, our customers can build their own VR cloud stores and place interactive activities, including AR/VR promotional activities created on our AR/VR SaaS platform, to provide an entertaining and interactive viewing experience to end users.

BUSINESS

The pictures below demonstrate how our customers may create an AR activity through our AR/VR SaaS platform:



Notes:

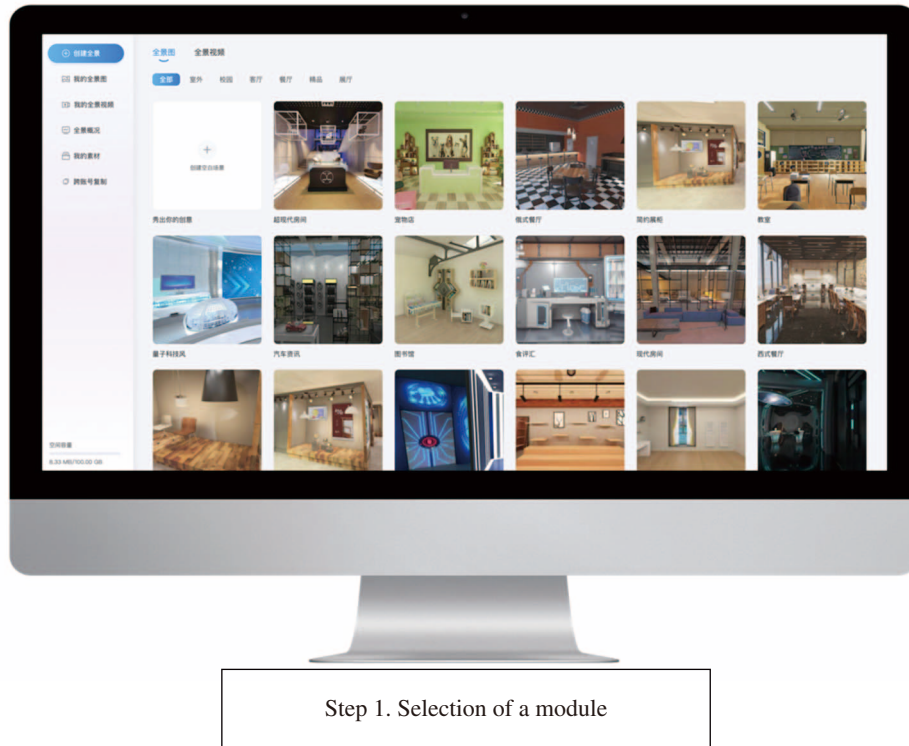
- (1) Settings selection panel: displays settings including basic settings, reward distribution settings and advanced settings
- (2) Detailed settings panel: displays further settings including the name of the AR activity, time, limit on the number of participations, descriptions of the activity, reward and sharing information.

The pictures below demonstrate how end users may participate in the AR activity with mobile phones:



Note: The pictures illustrate a typical AR activity game. After entering the game, a cartoon mouth will be generated with AR technology at the position of the player's mouth. The player may eat the fruits on the screen with the cartoon mouth by moving the player's mouth. The score is earned with each fruit eaten.

The pictures below demonstrate how our customers may create VR panorama content through our AR/VR SaaS platform:





Step 2. Creation of VR panorama content with functions on the AR/VR SaaS platform

Notes:

(1) to (4) are major function panels:

- (1) Function selection panel: displays all the functions of VR editor
- (2) Scenario management panel: all the scenarios may be managed through this panel
- (3) Function settings panel: after selecting functions from (1), more details settings may be made on this panel
- (4) Preview selection panel: displays different methods for preview

(5) to (10) provides examples of some of the specific functions we offer:

- (5) Shortcut: to switch to another scene or open a link
- (6) Activity: to place a link to built-in activities on the AR/VR SaaS platform, for example a carousel lottery
- (7) Insertion of objects: to insert 2D objects as ornaments
- (8) Insertion of characters: to insert characters with animation and voice
- (9) Insertion of texts: to insert texts as descriptions
- (10) Insertion of videos: to insert videos

BUSINESS

The pictures below demonstrate how end users may view the VR panorama content on personal computers, mobile phones and VR headsets:



Pricing and payment

Our AR/VR SaaS services comprise subscription-based and customized AR/VR SaaS solutions, both offered to the registered users of our AR/VR SaaS platform.

Customized AR/VR SaaS Solutions

For customized services, utilizing modules and development tools on our AR/VR SaaS platform, we assist our customers who are registered users of our AR/VR SaaS platform to develop, design and create customized AR/VR activities and VR cloud stores for our customers according to the themes and characteristics specified by our customers. We charge our customers mainly based on the complexity of the services required and the estimated duration and capacity requirement of the AR/VR activities. While we develop AR/VR content products from scratch, we utilize the existing modules provided on our AR/VR SaaS platform in providing customized

BUSINESS

AR/VR SaaS solutions. During the Track Record Period, we generally charged customers for customized AR/VR SaaS solutions ranging from RMB3,000 to RMB650,000 per project. We generally divide our customized AR/VR SaaS solutions into two categories based on the price range:

- **Basic solutions:** For basic solutions, we generally charge less than RMB200,000 for providing a customized solution using primarily modules on our AR/VR SaaS platform.
- **Advanced solutions:** For advanced solutions, we generally charge more than RMB200,000. While relying on existing modules on our AR/VR SaaS platform for basic framework, we provide additional art design works and 3D modeling as part of the solutions.

Subscription-based AR/VR SaaS Solutions

With respect to subscription-based AR/VR SaaS solutions, we offer different pricing options to users of our AR/VR SaaS platform. All registered users of our AR/VR SaaS platform are entitled to enjoy part of the AR/VR functions for free. For subscribed paying users, the AR/VR SaaS platform offers three types of service packages, each with different features and functions to accommodate diverse customer needs. As of March 31, 2022, the number of our subscribed paying users reached over 2,200. We offer free and paid packages to users of our AR/VR SaaS platform:

- **Free package:** This package provides basic AR/VR marketing functions, including 3GB storage space, basic AR/VR interactive content modules, AR/VR marketing scenario production tools, basic marketing program and marketing data display.
- **Paid packages:** We offer three types of paid packages, which differ in the number of AR/VR interactive content modules and size of storage space allocated. As of March 31, 2022, the rate of our paid packages ranged from RMB6,800 to RMB14,800 per year.

Material terms of the agreements with our AR/VR SaaS customers

We enter into one-year renewable subscription agreements with our subscribed paying users, allowing them access to our AR/VR SaaS platform with functions and modules matching their selected type of paid package upon payment of annual fees in full in advance. We are required to refund our subscribed paying users fees for the remaining agreement term according to our agreements if we stop providing services without a reasonable cause. We had not made material refund to our subscribed paying users during the Track Record Period.

BUSINESS

We usually enter into a separate agreement with our customers before providing a customized AR/VR SaaS solution. The material terms of the agreement usually include:

- **Term of project:** We are generally required to deliver the customized solution within one to six months from the date of the agreement, depending on our customers' requirements.
- **Our services:** We assist our customers to design VR cloud stores or AR/VR promotional activities and provide technical support and maintenance for a period of three months after the project is completed.
- **Payment and settlement:** Our customers generally pay the price of the customized AR/VR SaaS solution after the solution is accepted and we have issued the relevant invoice.
- **Termination:** The agreement may generally be terminated by the non-defaulting party in the event of a breach of the agreement that is not remedied within a prescribed time period.

We are generally not required to refund any fees charged to our customers according to our customized AR/VR SaaS solution agreements. We had not made material refund to our customized AR/VR SaaS customers during the Track Record Period.

Material terms of the agreements with our AR/VR SaaS suppliers

Our major suppliers of AR/VR SaaS business are primarily companies which offer subcontracting and development services or rent servers. For material terms of the agreements with our subcontractors, see the paragraph headed “— Our Suppliers — Subcontracting” in this section.

We usually enter into a separate agreement with our suppliers before renting their servers. The material terms of the agreement usually include:

- **Scope of services:** We are usually entitled to use the computing and network, cloud server, cloud data center, cloud cybersecurity, supervisory and management, domain name resolution, video service, big data and AI products of our suppliers in accordance to our business needs in compliance with the service agreements of our suppliers.

BUSINESS

- **Pricing, payment method and settlement:** We can choose the services required on the website of our suppliers and we will be charged accordingly. We can pay online or through bank transfer. We are usually required to pay within 10 working days upon the receipt of invoice.
- **Term:** Our contracts with our suppliers usually do not have a fixed term.
- **Termination:** Our suppliers are usually entitled to terminate part or all services with a notice at least 30 days before the termination.

Key operating data

The number of registered users of our AR/VR SaaS platform grew from 1,828 as of December 31, 2019 to over 14,000 as of March 31, 2022. Among them, the number of our subscribed paying users reached over 2,200 as of March 31, 2022. The registered users and subscribed paying users of our AR/VR SaaS platform are individuals and companies in various industries including for example entertainment, Internet, technology and healthcare.

The following table sets forth certain key operating data of our AR/VR SaaS platform:

	As of or for the year ended December 31,			As of or for the three months ended March 31,
	2019	2020	2021	2022
Number of registered users	1,828	4,007	12,265	14,634
Number of subscribed paying users ⁽¹⁾ .	—	—	2,015	2,234
Number of customized AR/VR SaaS projects	204	554	142 ⁽³⁾	77 ⁽³⁾
Average DAUs	161	554	1,688	1,991
Average MAUs	679	1,714	4,551	7,420
Peak MAUs ⁽²⁾	1,088	2,335	6,601	7,899
Monthly average revenue per subscribed paying user (RMB) ⁽⁴⁾ . . .	—	—	245	510
Contract renewal rate of subscription-based AR/VR SaaS ⁽⁵⁾ .	N/A	N/A	N/A	14.6%
Contract renewal rate of customized AR/VR SaaS ⁽⁶⁾	N/A	N/A	N/A	N/A

BUSINESS

- (1) It refers to users who entered into subscription agreements with us and paid for the use of our AR/VR SaaS platform. We began to have subscribed paying users in 2021 because historically, our AR/VR SaaS platform was used to support our AR/VR marketing services business as our AR/VR SaaS platform was mainly used by media platforms and their agents to create an AR/VR content environment in which advertisements from our advertising customers are placed. Furthermore, prior to 2021, we provided access to our AR/VR SaaS platform mainly to expand our registered user base and to attract potential customers.
- (2) It refers to the peak value of MAUs during the relevant year/period.
- (3) We carried out customized AR/VR SaaS projects with a higher price range since the year ended December 31, 2021.
- (4) It represents the revenue generated from our subscription-based AR/VR SaaS business for the period, divided by the number of subscribed paying users of our AR/VR SaaS platform as of the last day of the period and further divided by the number of months during the period. Our monthly average revenue per subscribed paying user for 2021 is relatively low, which is mainly due to the drastic increase in the number of our subscribed paying users during 2021.
- (5) It refers to the number of renewed subscription agreements during the period divided by the total number of subscription agreements during the period. This calculation is not applicable to 2019, 2020 and 2021 as we began to have subscribed paying users in 2021. Our contract renewal rate for the three months ended March 31, 2022 is relatively low mainly because most of our subscribed paying users entered into subscription agreements with us since around mid-2021 and their subscriptions had not expired by March 31, 2022.
- (6) The contract renewal rate does not apply to our customized AR/VR SaaS business due to the project-based nature of our customized AR/VR SaaS business, with one contract corresponding to one to several projects.

Customized AR/VR SaaS Solutions Cases

VR cloud store case

- **Pharmaceutical:** In June 2020, a pharmaceutical company engaged us to design, develop and produce its VR cloud store. We designed and developed a VR cloud store using our AR/VR SaaS platform and placed products of the pharmaceutical company in the cloud store. Based on its product features and its corresponding consumer groups, we divided the VR cloud store into five zones: lobby, men's zone, women's zone, elderly's zone, and kids' zone. Through 3D modeling, scene rendering, and a 720-degree VR panorama display, we presented lively virtual scenes, thereby forming a deep connection between the consumers and the brand. Additionally, we designed and created a cartoon image for the pharmaceutical company, "Dr. Bear", and placed it into the VR cloud store as a non-player character to help end users choose products suitable for them. The cartoon image designs provided a solid foundation for subsequent marketing of the pharmaceutical company. After the VR cloud store is completed and placed online, users may enter the VR cloud store through the pharmaceutical company's

store on one of the top e-commerce platforms in China. When users visit the VR cloud store and click on the products displayed in the cloud store, a description of the product with a link to the shopping cart will be displayed and users may complete the purchase with a few more clicks.

Below are the illustrations of the VR cloud store.



Notes:

- (1) Products are displayed in the VR cloud store.
- (2) When a user clicks on the product displayed in (1), a description of the product with a link to the shopping cart will be shown.
- (3) Part of the products have been blurred to protect customer sensitive information.

AR promotional activity case

- **Catering:** In March 2019, we were engaged to create an AR interactive activity for a catering company. Upon entering into the restaurant, end users may wear AR glasses or scan a QR code with their mobile phones to enter into an AR scene of the restaurant. End users may then take part in marketing activities such as collecting red packets, and interact with the restaurant's brand elements. The product made full use of the end users' waiting time to be seated and the waiting time to be served at the restaurant, and reinforced end user loyalty to the brand by providing a fun and interactive experience.

BUSINESS

Below are the illustrations of the AR interactive activity.



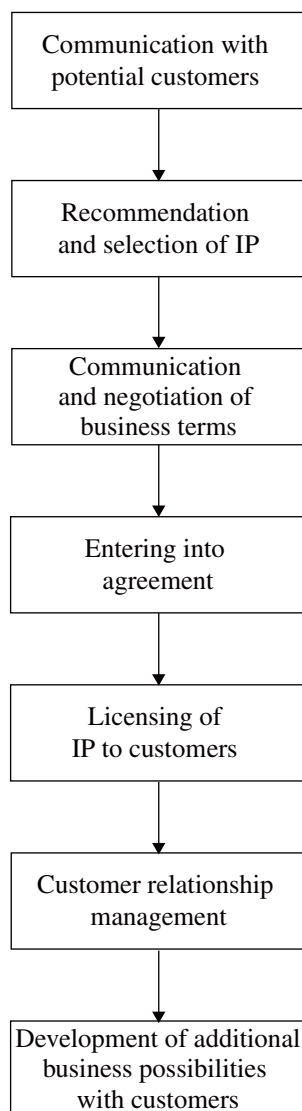
IP business

Our IP business licenses IP rights to customers to enable them to develop games, cartoons, TV plays, movies and other works. During the Track Record Period, we mainly licensed out IPs we purchased from third parties, for examples, novels, cartoon characters and games. In addition, we have not proactively pursued business in our IP licensing segment since 2021. We have shifted our focus and going forward, we will mainly use IP resources to support our AR/VR businesses as we intend to strategically focus on our AR/VR businesses and license IP rights on a case-by-case basis to meet specific customer demands. We will continue to source external IP rights in the future mainly for our own use and to support our AR/VR businesses.

We usually enter into a license agreement with each of the IP customers for a fixed term. IP customers have a right to adapt the relevant work to develop and publish content in an agreed form, such as novels, movies, TV dramas, games and cartoons.

Business process

The chart set out below illustrates the business process of our IP business:



- **Communication with potential customers:** We first communicate with potential customers to understand their demands regarding the types of IP and the specific content.
- **Recommendation and selection of IP:** We undergo a searching and matching process in our IP database according to the demand of our potential customers. We recommend certain IPs to our potential customers for selection based on their demands.

BUSINESS

- **Communication and negotiation of business terms:** We communicate, negotiate and confirm with potential customers about the detailed business terms including license fee, term, region, channel and format.
- **Entering into agreement:** IP customers enter into formal agreements with us to purchase selected IPs. Our IP customers usually pay in full after receipt and acceptance of relevant documents evidencing the licensing of the IP.
- **Licensing of IP to customers:** We license IP to our customers according to the scope, content and format stipulated in the agreement.
- **Customer relationship management:** Our customer service team maintains close connection and communication with customers to understand their experience of and feedback on the licensed copyrights, and help customers solve any problems encountered in the course of using the copyrights.
- **Development of additional business possibilities with customers:** We introduce our other major businesses to IP customers and understand and explore their other demands.

Pricing model

We generally charge our IP customers based on the IP our customers choose. We usually add a markup on the licensing fees we paid our IP suppliers taken into account the types and remaining licensing term of the IP.

During the Track Record Period, we generally charged our IP customers fees ranging from RMB30,000 to RMB3 million per IP license agreement. During the Track Record Period, we generally paid our IP suppliers fees ranging from RMB30,000 to RMB3 million per IP license agreement. Our major IP customers during the Track Record Period mainly included publication, culture and tourism, animation, technology development and gaming companies. For more details on our major IP customers who were also our top five customers during the Track Record Period, see the paragraph headed “— Our Customers” in this section.

Material terms of agreements with our IP customers

The material terms of license agreements with our IP customers are set out below:

- **Licensed content:** The copyrights that are globally licensed to an IP customer may vary from case to case. In general, they include the right of reproduction, right of distribution, rental right, right of exhibition, right of showing, right of broadcasting,

BUSINESS

right of communication through information network, right of filming, right of adaptation, right of translation and right of compiling. We only license a certain IP right to one customer and we are generally not permitted to use the relevant IP rights after they have been licensed out to our customers. The copyright of the content developed and published from the IP rights licensed generally belongs to our customers.

- **Confidentiality:** Generally, except as otherwise provided by laws and regulations or with the prior consent of the other party, each party shall maintain the confidentiality of any information or trade secrets obtained throughout the business engagement with our IP customers.
- **Payment and settlement:** Generally, after the copyright certificate, the letter of authorization and any other document in connection with the IP as required by the IP customers are delivered to and accepted by our IP customers, our customers shall make payment to us.
- **Term:** The term of a license agreement is generally one to seven years. The term of some of our license agreements with customers are longer than the term of our license agreements with suppliers, which is up to five years, because we have licensed out some of the IP rights we developed, particularly software copyright for games, to our IP customers for a term of seven years.
- **Termination:** The license agreement may generally be terminated by the non-defaulting party in the event of a material breach that is not remedied within a prescribed time period.

We are generally not required to refund any fees charged to our IP customers by our agreements with the IP customers. We had not made material refund to our IP customers during the Track Record Period.

As advised by our PRC Legal Advisors, the above license agreements with our IP customers are legally binding.

Material terms of agreements with our IP suppliers

The material terms of license agreements with our IP suppliers are set out below:

- **Licensed content:** Generally, all copyrights in a work are licensed to our Company, including but not limited to the right of reproduction, right of distribution, rental right, right of exhibition, right of showing, right of broadcasting, right of communication

BUSINESS

through information network, right of filming, right of adaptation, right of translation and right of compiling. We generally have a right to sub-license the IP rights. The license agreements are generally non-exclusive and our IP suppliers can continue to adopt copyrights in their work. We believe that our IP customers may be aware of such non-exclusivity as our customers may trace the IP rights by reviewing the copyright certificates and our license agreements with IP customers generally contain a clause that specifies the nature of authorization.

- **Payment and settlement:** We are generally required to settle payment to our IP suppliers between 20 and 60 days after our IP suppliers have provided proof of their IP rights and issued the relevant invoices.
- **Term:** The term of the license agreements with our IP suppliers are generally between one and five years.
- **Termination:** Our IP suppliers and us may terminate the license agreements in advance of the expiration of the term upon the occurrence of events such as failure of payment obligation by us, delay of delivery of requisite materials by our IP suppliers to us and by mutual written agreement.

As advised by our PRC Legal Advisors, the above license agreements with our IP suppliers are legally binding.

Other businesses

During the Track Record Period, our other businesses comprised text message services, promotion services, technical services, artist endorsement services, and games and games related business.

- **Promotion services:** Our promotion services are non-AR/VR marketing services. We use the technologies we have accumulated and media platform resources to customize marketing strategies, analyze brand positioning, design advertisements and place the advertisements. We provide our customers with AR/VR marketing services to achieve their marketing targets such as establishing brand image, increasing brand exposure, and improving brand awareness. The advertisement content may be provided by our customers. We charge our customers based on the marketing effect of our promotion services. For 2019, 2020 and 2021 and the three months ended March 31, 2022, our revenue from promotion services was RMB7.8 million, RMB25.6 million, RMB6.1 million and nil, respectively.

BUSINESS

- **Text message services:** Our text message services are non-AR/VR marketing services. We provide text message services including customized text messages, scheduled transmission, diverse access and statistics gathering to corporate customers. Our text message services help corporate customers to conduct marketing promotion and manage their members. We charge our customers based on the number of text messages sent. For 2019, 2020 and 2021 and the three months ended March 31, 2022, our revenue from our text message services amounted to nil, RMB10.4 million, RMB25.8 million and RMB88,000, respectively.
- **Technical services:** We provide software development, video production, artistic design and other types of technical services. We charge our customers mainly based on the complexity of the projects. For 2019, 2020 and 2021 and the three months ended March 31, 2022, our revenue from technical services was RMB14.7 million, RMB5.2 million, RMB0.6 million and nil, respectively.
- **Artist endorsement services:** We engage in artist endorsement business and generate agency fee by providing artist endorsement services to advertising customers through third-party artist agencies. We negotiate the price we charge for artist endorsement services on a case-by-case basis taken into account our costs in obtaining the artist endorsement and promotion costs. For 2019, 2020 and 2021 and the three months ended March 31, 2022, our revenue from our artist endorsement services amounted to nil, RMB1.9 million, nil and nil, respectively.
- **Games and games related business:** We used to derive revenue from games development, games distribution and other games related business. We provided game products that we designed and developed to games publishers and operating platforms and shared with them the revenue generated from such game products based on a mutually agreed percentage. In 2019, seven of our games were still running. The number of downloads of our games was 936,768 and the average spending per downloaded user was RMB5.1 in 2019. For 2019, 2020 and 2021 and the three months ended March 31, 2022, our revenue from games and games related business was RMB9.0 million, nil, nil and nil, respectively. As advised by our PRC Legal Advisors, our games and games-related business was legal and in compliance with all applicable PRC laws and regulations during the Track Record Period. We decided to gradually scale down and finally completed the winding-down of our games and games-related business in 2019 mainly because we saw the development and fast growth of the AR/VR content and services market. Our history in the games business provided us with the experiences and advantages in technologies and operations which would be beneficial to our shift to the AR/VR content and services business. We made a strategic shift on our business focus to AR/VR content and services to take advantage of the opportunities and to fulfill the

unmet customer demands in the AR/VR content and services market. As a result of our strategic foresight and business shift to AR/VR content and services, we became one of the earliest providers in China's AR/VR content and services market. There was no current and non-current assets being disposed of, written-off or impaired in relation to the winding-down of our games and games-related business in 2019, and no one-off cost was incurred as a result of the winding-down. During the Track Record Period, we did not have any lawsuit in relation to our games or games-related business brought by our customers or suppliers. As of the Latest Practicable Date, we did not have any unsettled claims or disputes with customers or suppliers of our games or games-related business.

Metaverse platform under development

In November 2021, we announced that we will be publishing our Feitian Metaverse platform, which is expected to have a virtual commercial district in which users can travel around freely and enter the commercial space of merchants such as showrooms. We are currently at the first phase of the development of our Feitian Metaverse platform and we currently focus on the infrastructure construction at this phase. We have completed the construction of the basic technical architecture and developed part of the core functions of our Feitian Metaverse platform, including a multiplayer open world, a sandbox system, a preliminary user and social system, a human-computer interaction system and a preliminary developer interface. We have also developed a small city block to test our preliminary technical architecture and its effect. To this end, we have developed a new network architecture that enables efficient interconnection between VR hardware, personal computers and mobile phones. According to iResearch, based on publicly available information such as market news and the interviews conducted with major industry participants, currently there is no similar Metaverse platform in the market developed by our major peers in China that offer AR/VR content or services.

According to iResearch, the elements of Metaverse platforms mainly include immersive experience, socializing channels, business function, and user self-development capabilities. In addition, the Metaverse caters for merchants and consumers simultaneously by providing a virtual space for business interaction. We believe that the experience we have accumulated over the years in the AR/VR business has equipped us with the capability to create a Metaverse platform with the key elements typical to a Metaverse platform. We aim to provide access to the Metaverse to our business customers and users and connect them through the Feitian Metaverse platform.

Our business background as a game developer in our early years has allowed us to accumulate precious experience to construct a Metaverse platform. According to iResearch, as a simulation based on reality, video game is the foundation form and prototype of a Metaverse, and the Metaverse is the extension and enhancement of a game world. According to iResearch, the penetration of the Metaverse is mainly driven by the popularization among the users. Rich content

and interactive designs are the keys to improve user experience. As a company which possesses game industry's experience, we possess know-hows to combine content, technology and user habits during the construction of the Metaverse platform, which we believe gives us a competitive advantage.

According to iResearch, the AR/VR-based content creation for Metaverse is different from that of graphics, texts and videos. Certain AR/VR-based content creation experience is desired for a participant to create content for Metaverse. As we are experienced in AR/VR-based content creation and have accumulated rich AR/VR content materials over the years of operation, we believe we have competitive advantages in the Metaverse platform development process. In addition, according to iResearch, one of the means for the operators of the Metaverse platform to generate revenue is to provide services to business customers, including marketing services. We believe our experience in providing AR/VR marketing services to cater to the demands of business customers also renders us more competitive in the deployment of the Metaverse platform as our insight on the needs of business customers and our experience accumulated through the provision of the AR/VR marketing services enables us to serve customers on a Metaverse platform in the future. In addition, we believe that our customers' resources provide us with potential demand-side support for the development of our Metaverse platform. As more market players enter the AR/VR industry, companies with content accumulation and technology capabilities, such as AR/VR development engines and SaaS/aPaaS platforms, are expected to hold the first-mover advantages and build an entry barrier, according to iResearch. Our AR/VR SaaS platform empowers the users to participate in the creation and development with us. We believe our AR/VR technology can consolidate and strengthen our advantages. With the IP reserve we have accumulated over years of operation, we also believe we will be able to provide a diverse portfolio of IPs to users of our Metaverse platform in the future.

Notwithstanding that Metaverse is currently at the 1.0 concept version stage and its development is highly uncertain and currently immature, our Feitian Metaverse platform is expected to facilitate our existing businesses in the future. Similar to our AR/VR SaaS platform which was historically used to support our AR/VR marketing services business, we plan to initially use our Feitian Metaverse platform to facilitate our existing businesses. We plan to provide AR/VR marketing services on our Feitian Metaverse platform and by attracting users to visit the same, our Feitian Metaverse platform is expected to gather traffic for our customers of AR/VR marketing services, thereby reducing a portion of our traffic acquisition costs. In addition, having our own platform and traffic would significantly assist in our understanding of current market trend and user preferences, thereby reducing our reliance on media platforms and their agents. Our Feitian Metaverse platform may consolidate our customers on a single platform which serves as an entry point for our customers to Metaverse. We plan to offer content development services on our Feitian Metaverse platform and plan to charge our customers for the AR/VR content products. For example, users of our Feitian Metaverse platform may engage us to design and construct

showrooms, panoramic virtual stores and industrial parks, for which we may charge on the basis similar to our AR/VR content projects. In addition, with the technology and experience accumulated in constructing our Feitian Metaverse platform, we expect to explore more business opportunities with other Metaverse platforms. We have taken initial steps in this regard and have offered AR/VR content to a leading Internet company in China for its Metaverse platform. See the paragraph headed “— AR/VR content — Cases — Culture and tourism (third-party Metaverse platform)” in this section. We plan to connect our AR/VR SaaS platform with our Feitian Metaverse platform, thus providing our customers with one-stop services, which we hope will be able to attract more users to our AR/VR SaaS platform and increase our revenue from subscriptions to our AR/VR SaaS platform. Users of our AR/VR SaaS platform may also experience the content they generated from our AR/VR SaaS platform on our Feitian Metaverse platform.

We may also explore different business activities on our Feitian Metaverse platform. For example, we plan to implement in our Feitian Metaverse platform marketing, promotional functions and facilities that enable live-streaming, concerts and press conferences, business conferences, virtual scenarios for education, sports, culture and tourism and other industries. In addition, we may offer subscriptions to users and provide some of the functions on the Feitian Metaverse platform to users on an annual, quarterly, or monthly basis. We may also launch a trading platform to facilitate monetization from content development.

As advised by our PRC Legal Advisors, no particular qualification or license is required for developing our current businesses through our Feitian Metaverse platform. Depending on the future business activities we carry out through our Feitian Metaverse platform, we may require different types of licenses and permits including a Permit for Network Culture Business (網絡文化經營許可證), a VATS business operating license and a Permit for Spreading Audio-Visual Programs via Information Network (信息網絡傳播視聽節目許可證). We may also conduct business cooperation with third-party entities that have obtained relevant licenses and permits. As advised by our PRC Legal Advisors, if we comply with the requirements and qualifications of relevant laws and regulations, and complete the approval process of the relevant authorities, there will be no material legal obstacles for us to obtain the relevant licenses and permits and to conduct the relevant businesses. In addition, we plan to engage PRC legal advisors to monitor changes in laws and regulations in relation to the Metaverse in general and the business activities we plan to carry out on our Feitian Metaverse platform to ensure our awareness of and compliance with the relevant laws and regulations. We also plan to designate personnel to be in charge of our compliance with the relevant laws and regulations.

We published our Feitian Metaverse information center on our website, which contains information such as introduction for developers and courses for beginners.

BUSINESS

Below are the illustrations of our Feitian Metaverse website and interface for developers.

Feitian Metaverse information website



Demonstration snapshot of our Feitian Metaverse platform



On our Feitian Metaverse platform, we aim to eventually provide our customers with the ability to initiate business cooperation among themselves and with consumers in the virtual business space, which would improve the user experience on the one hand, and help customers to explore business opportunities on the other hand.

As of the Latest Practicable Date, we have incurred RMB16 million (equivalent to approximately HK\$18 million) in developing our Feitian Metaverse platform, all of which were from our own funds generated from our operations. 14 of our engineers and 17 of our designers

BUSINESS

have contributed to the development of our Feitian Metaverse platform, most of whom possess bachelor's degrees or above and have over eight years' experience in software development or art and animation designs. We expect to invest a total of approximately HK\$107 million in the development of our Feitian Metaverse platform, among which HK\$62.0 million is expected to be funded by the net proceeds from the Global Offering and HK\$45 million is expected to be funded by our own funds generated from our operations. Out of the HK\$62.0 million of the net proceeds from the Global Offering expected to be used in developing our Feitian Metaverse platform, we expect to utilize (i) approximately HK\$18.6 million to recruit a team of approximately 13 staff members, including five engineers, two product managers, two art designers and four operation and promotion staff members; (ii) approximately HK\$18.6 million to purchase servers with substantial data storage capacities and purchase high performance cloud computing services and high-speed network services; (iii) approximately HK\$12.4 million to engage subcontractors to provide art-designing services; and (iv) approximately HK\$12.4 million to promote our Feitian Metaverse platform through advertising on online channels. See section headed "Future Plans and Use of Proceeds" in this prospectus for details on the proposed use of HK\$62.0 million of the net proceeds from the Global Offering for the development of our Feitian Metaverse platform. Out of the estimated HK\$45 million of our own funds invested or to be invested in developing our Feitian Metaverse platform, we expect to utilize HK\$15 million on recruiting talents for developing our Feitian Metaverse platform and HK\$30 million on engaging subcontractors to provide art-designing services and non-core technical support. As our plan for Feitian Metaverse platform is at a preliminary stage with no committed business model for monetization, our development of and future operation with respect to Feitian Metaverse platform is highly uncertain and it may not be possible to fully discern the trends that we are subject to. See the paragraph headed "Risk Factors — Risks Relating to Our Business and Industry — Due to our lack of or limited operating history in the AR/VR content and services businesses, the Metaverse industry and the Feitian Metaverse platform, it may be difficult for investors to evaluate our business and growth" in this prospectus.

OUR CUSTOMERS

Our customers for AR/VR marketing services are mainly advertisers and their agents. Our customers for AR/VR content are mainly companies from various industries, including entertainment, gaming, education, culture and tourism, technology, healthcare and automobiles. Our customers for AR/VR SaaS are mainly customized AR/VR SaaS solutions customers and subscribed paying users of our AR/VR SaaS platform. Recent regulatory changes in the gaming and education industries may give rise to more stringent compliance requirements for some of our customers. As advised by our PRC Legal Advisors and confirmed by our Directors, our business and regulatory compliance have not been adversely affected by the recent regulatory changes in our customers' industries in all material respects, and our current businesses are not subject to the recent regulatory changes in the gaming and education industries given the facts that (i) recent

BUSINESS

regulatory changes only apply to game developers, publishers and operators, and education service providers; and (ii) we primarily engage in AR/VR marketing services, AR/VR content and AR/VR SaaS businesses, and such businesses are not subject to the gaming and education regulatory regimes. Accordingly, such more stringent compliance requirements are not applicable to us. However, our business may be indirectly affected when our customers' businesses are affected as our customers may reduce their overall spending, possibly their purchases of our services, if their businesses are adversely impacted by the more stringent compliance requirements. Our PRC Legal Advisors are of the view that our services offered to customers in various industries have not been adversely affected by the recent regulatory changes in their industries in all material respects. During the Track Record Period, all of our customers are located in China. We generally grant a credit term of several working days to six months typically after we issue a VAT invoice to our customers and our customers generally pay us in RMB by bank transfer. For details of payment arrangements, see the paragraphs headed "Material terms of the agreements with media platforms and their agents", "Material terms of the agreements with our AR/VR content customers", and "Material terms of agreements with our IP customers" in this section. For 2019, 2020 and 2021 and the three months ended March 31, 2022, revenue from our recurring customers in the respective periods amounted to RMB80.5 million, RMB116.2 million, RMB345.8 million and RMB177.9 million, respectively. Our recurring customers in the respective periods contributed to approximately 32.1%, 34.3%, 58.1% and 77.7% of our revenue for 2019, 2020 and 2021 and the three months ended March 31, 2022, respectively. For AR/VR marketing services, we usually enter into annual framework agreements with our advertising customers with an initial term of one year in general, which may be renewed for another year automatically upon expiry. For AR/VR content, our content development period generally ranges from one month to one year. For subscription-based AR/VR SaaS services, we enter into one-year renewable subscription agreements with our subscribed paying users. For customized AR/VR SaaS solutions, we usually deliver the customized solution within one to six months from the date of the agreement. In each of 2019, 2020 and 2021 and the three months ended March 31, 2022, revenue from our top five customers accounted for approximately 46.1%, 38.5%, 39.2% and 30.7% of our total revenue for the respective year/period. In each of 2019, 2020 and 2021 and the three months ended March 31, 2022, revenue from our largest customer accounted for approximately 12.0%, 14.2%, 10.2% and 7.5% of our total revenue for the respective year/period.

BUSINESS

The details of our top five customers in 2019 (by revenue) are set out in the following table:

Customer	Main service/ product purchased	Revenue (RMB'000)	Percentage of total revenue (%)	Background and principal business activities	Year of commencement of business relationship	Registered capital ^{Note (4)} (RMB)	Credit Term ^{Note (5)}
Customer Group A . . .	AR/VR marketing services	30,233	12.0	A group of PRC companies principally engaged in advertisement design, production and agency business	2018	<i>Note (1)</i>	15 working days to around 2 months after receipt of invoice
Customer B . . .	AR/VR marketing services	29,651	11.8	A PRC company principally engaged in advertisement design, production, agency and telecommunications business	2019	1,000,000	20 working days after receipt of invoice
Customer C . . .	AR/VR marketing services	25,776	10.3	A PRC company principally engaged in advertisement production, publication, design, agency and digital content production service	2019	3,900,000	20 working days after receipt of invoice
Customer Group D . . .	AR/VR marketing services and AR/VR content	17,015	6.8	A group of PRC companies principally engaged in technology development, consultation, transfer, promotion, graphic design and production	2019	<i>Note (2)</i>	20 working days after receipt of invoice
Customer E . . .	IP	12,953	5.2	A listed PRC company principally engaged in literary and artistic creation and animation design whose revenue in 2020 was RMB108.1 million and total assets as of December 31, 2020 was RMB135.0 million	2016	53,500,000	60 working days after receipt of invoice
Total		115,628	46.1				

BUSINESS

The details of our top five customers in 2020 (by revenue) are set out in the following table:

Customer	Main service/ product purchased	Revenue <i>(RMB'000)</i>	Percentage of total revenue <i>(%)</i>	Background and principal business activities	Year of commencement of business relationship	Registered capital <i>Note (4)</i> <i>(RMB)</i>	Credit Term <i>Note (5)</i>
Customer F . . .	AR/VR content	48,113	14.2	A PRC company (subsidiary of a NASDAQ and Hong Kong listed company) principally operating a video search platform and a PGC content viewing platform	2019	5,953,909	5 working days after receipt of invoice
Customer G . . .	AR/VR marketing services	37,640	11.1	A PRC company principally engaged in advertising business	2020	5,681,800	20 working days after receipt of invoice
Customer H . . .	AR/VR marketing services	19,264	5.7	A PRC company principally engaged in advertisement design, production, agency and publication	2020	5,000,000	20 working days after receipt of invoice
Customer I . . .	AR/VR marketing services	13,854	4.1	A PRC company principally engaged in advertisement design, production, agency and publication	2020	10,000,000	20 working days after receipt of invoice
Customer J . . .	AR/VR content	11,415	3.4	A PRC company principally engaged in advertisement design, agency and publication	2020	10,000,000	5 working days to 30 working days after receipt of invoice
Total		130,286	38.5				

BUSINESS

The details of our top five customers in 2021 (by revenue) are set out in the following table:

Customer	Main service/ product purchased	Revenue (RMB'000)	Percentage of total revenue (%)	Background and principal business activities	Year of commencement of business relationship	Registered capital ^{Note (4)}	Credit Term ^{Note (5)}
Customer Group K . . .	AR/VR content	60,686	10.2	A group of PRC companies (subsidiary of a NASDAQ and Hong Kong listed company) principally engaged in copyright transfer and agency, computer software technology development, advertising and entertainment production	2019	Note (3)	6 months after receipt of invoice
Customer L . . .	AR/VR marketing services	56,446	9.5	A PRC company (subsidiary of a Hong Kong listed company) principally engaged in mobile advertising and network video products distribution	2021	USD100,000,000	10 working days after receipt of invoice
Customer M . . .	AR/VR marketing services	46,129	7.7	A PRC company principally engaged in computer software technology development and advertising business	2021	RMB5,000,000	20 working days after receipt of invoice
Customer H . . .	AR/VR marketing services	35,085	5.9	A PRC company principally engaged in advertisement design, production, agency and publication	2020	RMB5,000,000	20 working days after receipt of invoice
Customer N . . .	AR/VR marketing services	34,974	5.9	A PRC company principally provided Internet advertising service	2020	RMB6,121,011	5 working days after receipt of invoice
Total		233,320	39.2				

BUSINESS

The details of our top five customers for the three months ended March 31, 2022 (by revenue) are set out in the following table:

Customer	Main service/ product purchased	Revenue <i>(RMB'000)</i>	Percentage of total revenue <i>(%)</i>	Background and principal business activities	Year of commencement of business relationship	Registered capital <i>Note (4)</i>	Credit Term <i>Note (5)</i>
Customer O . . .	AR/VR marketing services	17,232	7.5	A PRC company principally engaged in advertising design, production, agency, publishing	2022	RMB61,416,300	20 working days after receipt of invoice
Customer P . . .	AR/VR marketing services	16,656	7.3	A PRC company principally engaged in information technology consulting services; technical services, technology development, technical consulting, technical exchanges, technology transfer, technology promotion; office services; advertising design, agency; advertising production	2021	RMB14,000,000	20 working days after receipt of invoice
Customer Group K . . .	AR/VR content	13,787	6.0	A group of PRC companies (subsidiaries of a NASDAQ and Hong Kong listed company) principally engaged in copyright transfer and agency, computer software technology development, advertising and entertainment production	2019	<i>Note (3)</i>	6 months upon presentation of delivery confirmation and invoice or 15 working days after receipt of invoice
Customer Q . . .	AR/VR marketing services	11,692	5.1	A PRC company principally engaged in technology development, technical services, technology transfer; advertising business; e-commerce	2022	RMB1,000,000	20 working days after receipt of invoice
Customer R . . .	AR/VR marketing services	11,052	4.8	A PRC company principally engaged in technical services, release various domestic advertisements	2021	RMB20,000,000	20 working days after receipt of invoice
Total		70,419	30.7				

BUSINESS

Notes:

- (1) The registered capital of our customers in Customer Group A is RMB10,000,000 and RMB1,000,000, respectively.
- (2) The registered capital of our customers in Customer Group D is RMB3,000,000 and RMB10,000,000, respectively.
- (3) In 2021, we had transactions with three entities of Customer Group K and the registered capital of our customers in Customer Group K is USD800,000, RMB13,421,280,000 and RMB5,953,909 respectively. In the three months ended March 31, 2022, we had transactions with four entities of Customer Group K and the registered capital of our customers in Customer Group K is USD800,000, RMB13,421,280,000, USD45,200,000 and RMB5,953,909 respectively.
- (4) The registered capital in the table are amounts as of March 31, 2022.
- (5) Invoice in the credit term refers to a VAT invoice.

During the Track Record Period, we did not have any material dispute with any of the above customers nor did we receive any material complaint from any of such customers.

Our top five customers in each of 2019, 2020 and 2021 and the three months ended March 31, 2022 were Independent Third Parties and none of our Directors or their respective close associates or any Shareholder (who to the best knowledge of our Directors owned more than 5% of our issued share capital as of the Latest Practicable Date) had any interest in any of our top five customers as of the Latest Practicable Date. To the best knowledge of our Directors, none of our top five customers were our suppliers during the Track Record Period.

BUSINESS

Top five projects

The following table sets out our top five projects with the highest revenue contribution for each of our major business segments for 2019:

Business segment	Rank	Service/Product description	Customer	Background and principal business activities	Contract amount	Revenue recognized during the year	Gross margin
					(RMB'000)	(RMB'000)	(%)
AR/VR marketing services.	1.	Promotion of an e-commerce platform	Customer B	A PRC company principally engaged in advertisement design, production, agency and telecommunications business	11,080	10,453	20.0
	2.	Promotion of an e-commerce platform	Customer B	A PRC company principally engaged in advertisement design, production, agency and telecommunications business	9,740	9,189	21.2
	3.	Promotion of a children's products manufacturing and trading company	Customer A	A group of PRC companies principally engaged in advertisement design, production and agency business	8,594	8,107	16.6
	4.	Promotion of automobile	Customer C	A PRC company principally engaged in advertisement production, publication, design, agency and digital content production service	7,966	7,515	19.2
	5.	Promotion of a sightseeing spot	Customer D	A PRC company principally engaged in technology development, consultation, transfer, promotion, graphic design and production	7,686	7,251	16.4

BUSINESS

Business segment	Rank	Service/Product description	Customer	Background and principal business activities	Contract amount	Revenue recognized during the year	Gross margin
					(RMB'000)	(RMB'000)	(%)
AR/VR content . . .	1.	A VR game	Customer S	A PRC company (subsidiary of a Hong Kong listed company) principally engaged in the technical development of game software, advertising business, digital content technology services for cartoons and games	6,000	5,660	49.5
	2.	VR interactive color and text identification system	Customer T	A PRC company principally engaged in education, new media and digital content business	3,200	3,019	63.1
	3.	VR content special customization	Customer U	A PRC company principally engaged in production, technology development and consulting, agency and advertisement	2,112	1,992	40.9
	4.	Small potted plant set design	Customer D	A PRC company principally engaged in technology development, consultation, transfer, promotion, graphic design and production	1,750	1,651	63.5
	5.	AR multiplayer real-time online collaboration system	Customer W	A PRC company principally engaged in software development, technology promotion, computer software and hardware service and sales of electronic appliances	1,600	1,509	77.5

BUSINESS

Business segment	Rank	Service/Product description	Customer	Background and principal business activities	Contract amount	Revenue recognized during the year	Gross margin
					(RMB'000)	(RMB'000)	(%)
AR/VR SaaS	1.	Museum art exhibition	Customer X	A PRC company principally engaged in technology development, promotion, transfer and consultation, data management and software service business	657	620	20.5
	2.	International film festival	Customer Z	A PRC company principally engaged in surveillance equipment imaging system software and hardware, communication equipment sales, import and export business	521	492	20.4
	3.	Technology development and event organization for a moving company	Customer X	A PRC company principally engaged in technology development, promotion, transfer and consultation, data management and software service business	452	426	20.6
	4.	AR interactive activity for a catering company	Customer Z	A PRC company principally engaged in technology development, promotion, transfer and consultation, data management and software service business	433	408	20.2
	5.	Stage show	Customer Y	A PRC company principally engaged in surveillance equipment imaging system software and hardware, communication equipment sales, import and export business	390	368	20.1

BUSINESS

The following table sets out our top five projects with the highest revenue contribution for each of our major business segments for 2020:

Business segment	Rank	Service/Product description	Customer	Background and principal business activities	Contract amount	Revenue recognized during the year	Gross margin
					(RMB'000)	(RMB'000)	(%)
AR/VR marketing services.	1.	Promotion of news platform	Customer G	A PRC company principally engaged in advertising business	12,477	11,770	19.8
	2.	Promotion of calendar app	Customer G	A PRC company principally engaged in advertising business	11,556	10,902	25.9
	3.	Promotion of news platform	Customer G	A PRC company principally engaged in advertising business	11,343	10,701	19.0
	4.	Promotion of smart data platform	Customer I	A PRC company principally engaged in advertising design, production, agency and publication	8,880	8,377	20.6
	5.	Promotion of data recovery platform	Customer AA	A PRC company principally engaged in information technology, computer software development, promotion and consultation, advertisement and production business	7,165	6,759	21.3

BUSINESS

Business segment	Rank	Service/Product description	Customer	Background and principal business activities	Contract amount	Revenue recognized during the year	Gross margin
					(RMB'000)	(RMB'000)	(%)
AR/VR content . . .	1.	VR presentation of dark fairy tales	Customer AB	A PRC company principally engaged in technology service, development, consultation, transfer and promotion business	8,400	7,925	54.6
	2.	VR natural world, astronaut experience, ocean walk, absolute experience and space walk	Customer AD	A PRC company principally engaged in technology service, development, consultation, transfer and promotion, production, advertisement and agency business	4,000	3,774	98.7
	3.	VR around the world	Customer W	A PRC company principally engaged in software development, technology promotion, computer software and hardware service and sales of electronic appliances	3,860	3,642	57.8
	4.	VR physics class	Customer AE	A PRC company principally engaged in technology service, development, consultation, transfer and promotion, sales of computer software and hardware, and Internet sales business	3,500	3,302	98.7
	5.	VR chemistry class	Customer J	A PRC company principally engaged in advertisement design and agency services business	3,200	3,019	98.7

BUSINESS

Business segment	Rank	Service/Product description	Customer	Background and principal business activities	Contract amount	Revenue recognized during the year	Gross margin
					(RMB'000)	(RMB'000)	(%)
AR/VR SaaS	1.	Technology center browsing interactive panorama	Customer AF	A PRC company principally engaged in Internet technology and computer technology development, technology transfer, consultancy, service and e-commerce business	579	546	21.2
	2.	Golf panorama	Customer X	A PRC company principally engaged in technology development, promotion, transfer and consultation, data management and software service business	552	521	17.6
	3.	618 celebration event	Customer AH	A PRC company principally engaged in technology development, promotion, transfer and consultation, data management and software service business, computer and mobile phone software development and sales	171	161	62.7
	4.	Interactive marketing	Customer AG	A PRC company principally engaged in design, production, agency and advertisement business	100	94	21.0
	5.	Yuanxiao festival event	Customer AH	A PRC company principally engaged in technology development, promotion, transfer and consultation, data management and software service business, computer and mobile phone software development and sales	50	47	63.7

BUSINESS

The following table sets out our top five projects with the highest revenue contribution for each of our major business segments for 2021:

Business segment	Rank	Service/Product description	Customer	Background and principal business activities	Contract amount	Revenue recognized during the year	Gross margin
					(RMB'000)	(RMB'000)	(%)
AR/VR marketing services.	1.	Promotion of novel website	Customer AI	A PRC company principally engaged in technology development, transfer and consultation services, design, production, agency and advertisement business	20,933	19,748	23.2
	2.	Promotion of mobile game	Customer H	A PRC company principally engaged in advertisement design, production, agency and publication	12,957	12,224	23.8
	3.	Promotion of mobile game	Customer H	A PRC company principally engaged in advertisement design, production, agency and publication	11,453	10,805	21.9
	4.	Promotion of video game	Customer M	A PRC company principally engaged in computer software technology development and advertising business	11,232	10,596	21.0
	5.	Promotion of computer game	Customer M	A PRC company principally engaged in computer software technology development and advertising business	11,154	10,522	21.4

BUSINESS

Business segment	Rank	Service/Product description	Customer	Background and principal business activities	Contract amount	Revenue recognized during the year	Gross margin
					(RMB'000)	(RMB'000)	(%)
AR/VR content . . .	1.	A computer game	Customer AB	A PRC company principally engaged in technology service, development, consultation, transfer and promotion business	7,000	6,604	61.3
	2.	Civil air defense simulation exercise system based on 3D visualization technology	Customer AJ	A PRC company principally engaged in data processing services, Internet technology services, software development and sales and game production business	6,000	5,660	57.8
	3.	Resident physician skills assessment system and VR version of resident physician course	Customer AK	A PRC company principally engaged in technology development, consultation, service and transfer, computer technology training business	3,600	3,396	46.4
	4.	VR game cutting edge plan	Customer AL	A PRC company principally engaged in import and export, agency, Internet services and advertisement business	3,500	3,302	55.7
	5.	VR game escape from hell	Customer W	A PRC company principally engaged in software development, technology promotion, computer software and hardware service and sales of electronic appliances	3,200	3,019	60.1

BUSINESS

Business segment	Rank	Service/Product description	Customer	Background and principal business activities	Contract amount	Revenue recognized during the year	Gross margin
					(RMB'000)	(RMB'000)	(%)
AR/VR SaaS	1.	AR bird catching	Customer AF	A PRC company principally engaged in Internet technology and computer technology development, technology transfer, consultancy, service and e-commerce business	542	511	41.6
	2.	VR cloud store for a tourist attraction	Customer X	A PRC company principally engaged in technology development, promotion, transfer and consultation, data management and software service business	540	509	60.9
	3.	AR activity striking penguins	Customer AF	A PRC company principally engaged in Internet technology and computer technology development, technology transfer, consultancy, service and e-commerce business	465	439	65.2
	4.	VR cloud store for a farm	Customer X	A PRC company principally engaged in technology development, promotion, transfer and consultation, data management and software service business	463	437	58.8
	5.	One hundred children's songs	Customer X	A PRC company principally engaged in technology development, promotion, transfer and consultation, data management and software service business	440	415	53.4

BUSINESS

The following table sets out our top five projects with the highest revenue contribution for each of our major business segments for the three months ended March 31, 2022:

Business segment	Rank	Service/Product description	Customer	Background and principal business activities	Contract amount (RMB'000)	Revenue recognized during the period (RMB'000)	Gross margin (%)
AR/VR marketing services	1.	Promotion of a novel website	Customer AI	A PRC company principally engaged in technology development, transfer and consultation services, design, production, agency and advertisement business	11,080	10,453	24.5
	2.	Promotion of a short video website	Customer P	A PRC company principally engaged in Information technology consulting services; technical services, technology development, technical consulting, technical exchanges, technology transfer, technology promotion; office services; advertising design, agency; advertising production	9,216	8,694	22.4
	3.	Promotion of a short video website	Customer O	A PRC company principally engaged in information services on the Internet, communication engineering, advertisement design and publication	8,123	7,663	22.2
	4.	Promotion of a game	Customer R	A PRC company principally engaged in technical services, release various domestic advertisements	6,442	6,077	24.1

BUSINESS

Business segment	Rank	Service/Product description	Customer	Background and principal business activities	Contract amount	Revenue recognized during the period	Gross margin
					(RMB'000)	(RMB'000)	(%)
	5.	Promotion of a novel app	Customer AM	A PRC company principally engaged in television program production, movie production, information service consultation, software development and sales, advertisement production and design	6,321	5,964	24.5
AR/VR content	1.	Copyright for a PGC video	Customer F	A PRC company (subsidiary of a NASDAQ and Hong Kong listed company) principally operating a video search platform and a PGC content viewing platform	4,665	4,401	20.2
	2.	VR simulation of a fighter aircraft	Customer AE	A PRC company principally engaged in technology service, development, consultation, transfer and promotion, sales of computer software and hardware, and Internet business	4,180	3,865	58.6
	3.	VR soccer game	Customer AN	A PRC company principally engaged in Internet information service, publication of television drama and movie, Internet game service, software development, advertisement design and production services	3,960	3,661	56.6

BUSINESS

Business segment	Rank	Service/Product description	Customer	Background and principal business activities	Contract amount	Revenue recognized during the period	Gross margin
					(RMB'000)	(RMB'000)	(%)
	4.	VR ski game	Customer AB	A PRC company principally engaged in technology service, development, consultation, transfer and promotion business	3,300	3,051	63.2
	5.	VR flight simulator	Customer AO	A PRC company principally engaged in technology promotion, Internet cultural activities and Internet information services	3,250	3,005	56.9
AR/VR SaaS	1.	Travel guide	Customer AP	A PRC company principally engaged in technology development, service, consultation, advertisement production, design and dissemination, software development, data processing and Internet cultural activities	268	253	53.6
	2.	A temple in Lhasa, Tibet	Customer X	A PRC company principally engaged in technology development, promotion, transfer and consultation, data management and software service business	250	236	48.5
	3.	Compilation of stories	Customer AP	A PRC company principally engaged in technology development, service, consultation, advertisement production, design and dissemination, software development, data processing and Internet cultural activities	249	235	55.1

BUSINESS

Business segment	Rank	Service/Product description	Customer	Background and principal business activities	Contract amount	Revenue recognized during the period	Gross margin
					(RMB'000)	(RMB'000)	(%)
	4.	A gymnasium	Customer AP	A PRC company principally engaged in technology development, service, consultation, advertisement production, design and dissemination, software development, data processing and Internet cultural activities	239	225	63.4
	5.	A computer game	Customer AP	A PRC company principally engaged in technology development, service, consultation, advertisement production, design and dissemination, software development, data processing and Internet cultural activities	219	206	65.6

Note: Our customers of the top five projects for AR/VR marketing services were largely consistent with our top five customers for 2019, 2020 and 2021 and the three months ended March 31, 2022. Our customers of the top five projects for AR/VR content may not be one of our top five customers for 2019, 2020 and 2021 and the three months ended March 31, 2022 mainly because our major AR/VR content customers tend to engage us in several different projects in a year/period and each project may not be significant in terms of amount of revenue. None of our customers of the top five projects for AR/VR SaaS was our top five customers for 2019, 2020 and 2021 and the three months ended March 31, 2022 mainly because our AR/VR SaaS projects tend to be less complex and small in scale in terms of amount of revenue.

BUSINESS

MARKETING AND BRAND PROMOTION

We conduct online and offline marketing campaigns for brand promotion and marketing. We establish and enhance our brand awareness through online channels such as search engines, social media promotion and targeted advertising. We also enhance our brand awareness and improve our brand image and influence through participating in offline activities such as industry related exhibitions and conferences.

We promote our AR/VR SaaS platform on various media platforms. We aim to improve and enhance our brand exposure and awareness through issuing media reports on various topics, such as our products and services, cooperation with key customers and large-scale events involving various media. In addition, we hold and attend annual business summits, industry related exhibitions and other events to demonstrate the strength of our products and services to potential customers.

As of the Latest Practicable Date, our sales and marketing team had 33 members, carrying out marketing activities in Beijing, Shenzhen and Hangzhou.

OUR CUSTOMER SERVICES

We value our customers' feedback on our services and have taken measures to handle complaints effectively. We strive to minimize the number of customer complaints by focusing on improving the capabilities of all our employees and strengthening the communication among them. Our departments cooperate together to act quickly to deal with customer complaints in a timely manner. The main department that handles complaints from customers is our operations department. Our operations department is responsible for investigating the matter, finding out the responsible persons, suggesting solutions, and formulating and implementing preventative and corrective measures. For major complaints from customers, the manager of the operations department will record the complaint and pass relevant information to other responsible departments and the general manager, and will hold an emergency meeting to devise a solution. After the complaint is handled, we also ask the customers how satisfied they are with the results and improve our measures accordingly.

During the Track Record Period and up to the Latest Practicable Date, we did not receive any complaint about our service or product which has a material adverse impact on our business or operating performance from our customers or any regulator.

OUR SUPPLIERS

Our major suppliers are primarily agents of media platforms which provide traffic and companies which offer subcontracting and development services or provide content materials or IPs. Substantially all of our traffic acquisition costs were paid to agents of media platforms during the Track Record Period, which is common in the industry according to iResearch, as most media platforms engage agents to handle their traffic resources. During the Track Record Period, all of our suppliers were located in China. Sometimes we prepay our suppliers. In other occasions, our suppliers other than subcontractors grant us a credit term of 10 to 60 working days typically after our suppliers issue a VAT invoice to us. We generally settle payments with our suppliers in RMB by bank transfer. For details of payment arrangements with our subcontractors, see the paragraph headed “— Subcontracting” in this section. In each of 2019, 2020 and 2021 and the three months ended March 31, 2022, the expense paid to our top five suppliers accounted for approximately 49.9%, 41.1%, 45.1% and 54.2% of our cost of revenue for the respective year/period. In each of 2019, 2020 and 2021 and the three months ended March 31, 2022, the expense paid to our largest supplier accounted for approximately 16.1%, 9.7%, 13.5% and 14.8% of our cost of revenue for the respective year/period.

BUSINESS

The details of our top five suppliers in 2019 (by cost of revenue) are set out in the following table:

Supplier	Main service/ product provided	Cost of revenue (RMB'000)	Percentage of cost of revenue (%)	Background and principal business activities	Year of commencement of business relationship	Registered capital ^{Note (4)} (RMB)	Credit Term ^{Note (5)}
Supplier A . . .	Traffic acquisition	28,208	16.1	A PRC company principally engaged in software development, product design and advertisement design, production, agency and publication	2019	50,000,000	10 working days after receipt of invoice
Supplier B . . .	Traffic acquisition	19,711	11.2	A PRC company principally engaged in technology development, transfer, promotion and service and advertisement design, production, agency and publication	2019	10,000,000	20 working days after receipt of invoice
Supplier C . . .	Traffic acquisition	18,708	10.7	A PRC company principally engaged in the technical service within the Internet technology field, the development of computer hardware and software, the research and development of online games, website design and development	2019	10,000,000	20 working days after receipt of invoice
Supplier Group D . . .	Traffic acquisition and subcontracting and development services	10,481	6.0	A group of PRC companies principally engaged in advertisement design, production, agency and publication; technology development, technology transfer, technology services, technology consulting; copyright agency services	2018	<i>Note (1)</i>	5, 15 or 20 working days after receipt of invoice, or 30 working days
Supplier Group E . . .	PGC video materials and IP purchase	10,377	5.9	A group of PRC companies (subsidiaries of a PRC listed company) principally engaged in the production, reproduction and publication of features, columns, variety shows, animations, radio dramas and TV series	2018	<i>Note (2)</i>	60 working days after receipt of invoice
Total		87,485	49.9				

BUSINESS

The details of our top five suppliers in 2020 (by cost of revenue) are set out in the following table:

Supplier	Main service/ product provided	Cost of revenue <i>(RMB'000)</i>	Percentage of cost of revenue <i>(%)</i>	Background and principal business activities	Year of commencement of business relationship	Registered capital <i>Note (4)</i> <i>(RMB)</i>	Credit Term <i>Note (5)</i>
Supplier F . . .	Traffic acquisition	22,670	9.7	A PRC company principally engaged in computer technology-related services and advertisement design, agency and publication	2020	10,500,000	10 working days after receipt of invoice
Supplier G . . .	PGC video materials	22,170	9.5	A PRC company (subsidiary of a PRC listed company) principally engaged in the production, reproduction and publication of features, columns, variety shows, animations, radio dramas and TV series	2018	600,000,000	60 working days after receipt of invoice
Supplier Group H . . .	IP Purchase	18,245	7.8	A group of PRC companies principally engaged in technology development, consultation and services and advertisement design, production, publication and agency business	2019	<i>Note (6)</i>	60 working days after receipt of invoice
Supplier A . . .	Traffic acquisition	18,032	7.7	A PRC company principally engaged in software development, product design and advertisement design, production, agency and publication	2019	50,000,000	Nil
Supplier I . . .	IP purchase and traffic acquisition	14,911	6.4	A PRC company principally engaged in game software, technical development, technical services, technical consulting, production, reproduction, distribution	2019	10,000,000	Nil
Total		96,028	41.1				

BUSINESS

The details of our top five suppliers in 2021 (by cost of revenue) are set out in the following table:

Supplier	Main service/ product provided	Cost of revenue <i>(RMB'000)</i>	Percentage of cost of revenue <i>(%)</i>	Background and principal business activities	Year of commencement of business relationship	Registered capital <i>Note (4)</i> <i>(RMB)</i>	Credit Term <i>Note (5)</i>
Supplier B . . .	Traffic acquisition	56,560	13.5	A PRC company principally engaged in technology development, transfer, promotion, service and consultation and advertisement design, production, agency and publication	2019	10,000,000	20 working days after receipt of invoice
Supplier A . . .	Traffic acquisition	44,688	10.6	A PRC company principally engaged in software development, product design and advertisement design, production, agency and publication	2019	50,000,000	Nil
Supplier J	PGC video materials	35,425	8.4	A PRC company principally engaged in advertisement design, production, agent technology development	2020	2,000,000	15 working days after receipt of invoice
Supplier K . . .	Traffic acquisition	26,813	6.4	A PRC company principally engaged in technology service, transfer, development, promotion, advertisement design, production, agent and publication business	2021	10,000,000	Nil
Supplier L . . .	Traffic acquisition	25,979	6.2	A PRC company principally engaged in technology development and advertising agency	2021	10,000,000	Nil
Total		189,465	45.1				

BUSINESS

The details of our top five suppliers for the three months ended March 31, 2022 (by cost of revenue) are set out in the following table:

Supplier	Main service/ product provided	Cost of revenue <i>(RMB'000)</i>	Percentage of cost of revenue <i>(%)</i>	Background and principal business activities	Year of commencement of business relationship	Registered capital <i>Note (4)</i>	Credit Term <i>Note (5)</i>
Supplier B . . .	Traffic acquisition	23,034	14.8	A PRC company principally engaged in technology development, transfer, promotion, service and consultation and advertisement design, production, agency and publication	2019	RMB10,000,000	20 working days after receipt of invoice
Supplier M . . .	Traffic acquisition	17,379	11.2	A PRC company principally engaged in design, produce, represent, publish advertisements	2021	RMB20,000,000	Nil
Supplier N . . .	Traffic acquisition	16,648	10.7	A PRC company principally engaged in technology development and advertising agency	2021	RMB10,000,000	Nil
Supplier O . . .	Traffic acquisition	14,184	9.1	A PRC company principally engaged in technology development, technical consultation, technology transfer, technology promotion, and technical services	2021	RMB2,000,000	Nil
Supplier P . . .	Traffic acquisition	13,126	8.4	A PRC company principally engaged in technical service, technical development, technical consultation, technical exchange, technology transfer, technology promotion, advertising design, agency	2021	RMB10,000,000	20 working days after receipt of invoice
Total		84,371	54.2				

Notes:

- (1) The registered capital of our suppliers in Supplier Group D is RMB101,570,000, RMB500,000 and RMB10,000,000, respectively.
- (2) The registered capital of our suppliers in Supplier Group E is RMB600,000,000 and RMB10,000,000, respectively.
- (3) The registered capital of our suppliers in Supplier Group H is RMB1,255,429 and RMB10,000,000, respectively.
- (4) The registered capital in the table are amounts as of March 31, 2022.
- (5) Invoice in the credit term refers to a VAT invoice.

BUSINESS

During the Track Record Period, we provided a short-term loan with a principal amount of RMB12.4 million to Supplier B. For details of the loan, see the paragraph headed “Financial Information — Discussion of Certain Key Consolidated Balance Sheet Items — Loan receivables” in this prospectus.

During the Track Record Period, we did not have any material dispute with any of the above suppliers nor did we receive any material complaint from any of such suppliers.

Our top five suppliers in each of 2019, 2020 and 2021 and the three months ended March 31, 2022 were Independent Third Parties and none of our Directors or their respective close associates or any Shareholder (who to the best knowledge of our Directors owned more than 5% of our issued share capital as of the Latest Practicable Date) had any interest in any of our top five suppliers as of the Latest Practicable Date. To the best knowledge of our Directors, none of our top five suppliers were our customers during the Track Record Period.

Subcontracting

We generally engage subcontractors to provide art-designing services and non-core technical support when we encounter capacity constraints. During the Track Record Period, all of our subcontractors were located in China and all of the subcontractors fees were denominated in RMB. While we primarily fulfil our customers’ demands using our own resources, by adopting use of subcontractors, our Directors believe that our Group was able to maintain a degree of flexibility in our pace of expansion and leverage on the market advantage of certain subcontractors. We select subcontractors on a case-by-case basis, based on their background and qualifications in providing services to us, for maximizing value to our customers. For 2019, 2020 and 2021 and the three months ended March 31, 2022, our subcontracting and development costs were RMB21.3 million, RMB22.6 million, RMB36.9 million and RMB14.6 million, respectively, representing approximately 12.1%, 9.7%, 8.8% and 9.4% of our cost of revenue for the same periods, respectively. During the Track Record Period, we generally paid our subcontractors ranging from RMB2,000 to RMB3 million per project. For the details on the year of commencement of business relationship with our major subcontractors during the Track Record Period, see the paragraph headed “— Our Suppliers” in this section.

We usually sign subcontracting agreements with our subcontractors. Material terms of the typical agreements generally include:

- **Scope of services:** We generally engage subcontractors to (i) create 2D and 3D art designs, including but not limited to icons, characters, objects and landscapes; and (ii) provide non-core technical support.

BUSINESS

- **Right to inspection:** We may inspect the work of our subcontractors produced under the agreement and request modifications to such work before acceptance of their work.
- **Obligations of our subcontractors:** Our subcontractors are obligated to ensure that all work created pursuant to the agreements do not violate any applicable laws and regulations.
- **IPs:** We own the IPs of the art designs that are created by our subcontractors pursuant to the agreements.
- **Payment:** We generally pay our subcontractors based on the length of the project. We usually pay our subcontractors in full after signing the agreement or after acceptance of their work for short-term projects. We may pay our subcontractors in two or three instalments based on the percentage of completion for long-term projects. We pay our subcontractors in RMB by bank transfer.
- **Term:** Depending on the scope of services, our subcontractors are given a certain period, for example one month, to deliver their work.
- **Termination:** We are generally entitled to terminate the subcontracting agreement if our subcontractors could not complete the projects within the prescribed time period for reasons caused by our subcontractors.

Our Directors confirm that all of our subcontractors are Independent Third Parties during the Track Record Period and we do not place any undue reliance on any of our subcontractors.

RESEARCH AND DEVELOPMENT

As a technology-driven AR/VR content and services company, we continuously strengthen our research and development ability. For 2019, 2020 and 2021 and the three months ended March 31, 2022, our research and development expense was RMB11.4 million, RMB15.0 million, RMB21.7 million and RMB8.2 million, respectively, representing approximately 4.6%, 4.4%, 3.6% and 3.6% of our total revenue for the same periods, respectively. During the Track Record Period, we also outsourced the development of some of our non-core technologies and interactive content modules to third parties, the IP rights of which belong to us. We did not capitalize any research and development expenditures during the Track Record Period.

Our research and development currently has a focus on technology development and content development. As of the Latest Practicable Date, we had a research and development team of 67 full-time employees, representing approximately 46.5% of our employees. As of the Latest

BUSINESS

Practicable Date, our research and development team had 31 engineers and 29 designers, most of whom possessed bachelor's degrees. Our research and development team members have expertise in software development and art and animation designs. Our research and development team is led by Mr. Li, who has more than 15 years of experience in software engineering.

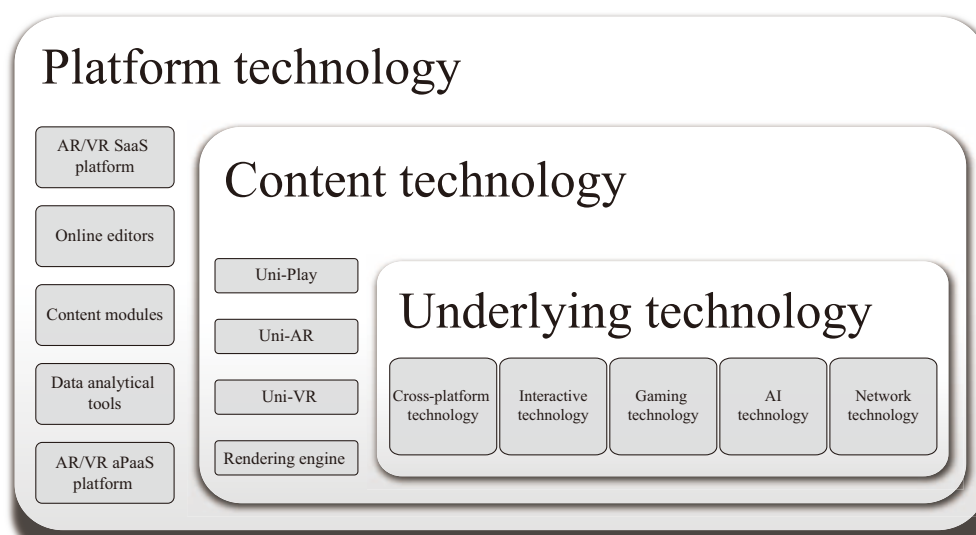
We are committed to strengthen our research and development based on our annual research and development plan and our prediction of market demands. Our research and development plan as of the Latest Practicable Date involves:

- strengthening our AI algorithm capabilities and image rendering capabilities which could enable our customers to achieve higher levels of display effects for their products and content;
- strengthening standardization and process building in content creation, and optimize them through big data algorithms; and
- further enhancement of our AR/VR technology to adapt to next-generation AR glasses, VR glasses, holographic projection and 5G applications.

We plan to continue to upgrade our research and development system to explore potential demands of customers, while further improving our quality of service to enhance our operation and marketing abilities.

OUR TECHNOLOGIES AND INFRASTRUCTURE

We have multifaceted AR/VR technology that covers and provides support for our AR/VR business. Our AR/VR technology can be divided into three categories, namely the underlying technology, the content technology and the platform technology. The underlying technology is our core capability, which supports all our major businesses and establishes our competitive advantages in the industry. The content technology addresses the customers' demand and provides us with a base to grow our business. The platform technology enables our technology to be exported and empowers customers or developers to participate in the content production together with us. Our success hinges upon our key technological capabilities in providing customers with high-quality AR/VR marketing services and offering end users with our AR/VR interactive content and immersive experience.



Underlying technology

Our underlying technology includes cross-platform technology, interactive technology, gaming technology, AI technology, network technology, among others. Our cross-platform technology allows our AR and VR effects to be presented on Android, iOS, H5, Windows and other platforms. Particularly, our cross-platform technology developed a series of APIs connecting various platforms to unify access to different platforms. Our interactive technology and gaming technology provide a base for the development of interactive content. Our interactive technology mainly includes our algorithms that could respond accurately to gestures recognition, space location, eye-movement, voices and captured-motion. Our gaming technology mainly includes 3D modeling, physical engines, user interface framework and data driven technology. Our AI technology can, through machine learning algorithms, identify images, texts, voices and faces and motions. Particularly, our facial recognition and motion recognition capabilities under our AI technology aim to achieve higher accuracy in identifying faces and body movements of end users, with a view to produce better interaction effects with our interactive technology. In addition, our network technology ensures the stable and smooth operation of our systems which further brings smooth experience to end users.

Content technology

Our comprehensive AR/VR development engines include our Uni-Play engine, Uni-AR engine, Uni-VR engine and rendering engine, all of which improve development efficiency by shortening the development time of AR/VR products and enables us to carry out cross-platform development and provide one-stop development solutions with a full platform coverage. The Uni-Play engine was first launched in 2012. Through years of development and iteration, our Uni-Play engine has combined functions including messages, e-mails, tasks, accomplishments and

archive. The Uni-AR engine released in 2016 further improved the AR cross-platform solution and presented AR effects on apps, H5 and mini programs. We launched the Uni-VR engine in 2017 which offered comprehensive VR cloud store solutions to our customers. In the same year, we launched our rendering engine. Our rendering technology helps us present AR/VR interactive content with richer graphic effects, making it easier to catch users' attention.

Platform technology

- **AR/VR SaaS platform technology:** Our AR/VR SaaS platform provides a large number of AR/VR content modules, online editors and a range of data analytical tools, helping our customers to gain better designing experience on our AR/VR SaaS platform. Our platform technology enables our technology to be exported and empowers end users and developers to customize and develop AR/VR interactive content easily and efficiently, which in turn is expected to improve our AR/VR business ecosystem and attract more parties to participate in AR/VR interactive content production. With respect to online editors, our AR/VR SaaS platform provides tools such as AR/VR scene construction and web-AR/VR solutions, helping our customers to gain better designing experience on our AR/VR SaaS platform. The settings and layout of our AR/VR SaaS platform are designed to follow our AR/VR marketing services cycle, thereby empowering our AR/VR marketing services. In particular, our AR/VR SaaS platform has built up access to the APIs of several top e-commerce platforms in China, which allows users to export AR/VR content from our AR/VR SaaS platform to e-commerce platforms. In addition, our AR/VR SaaS platform is equipped with diversified analytical tools and functional modules, including AR/VR interactive marketing, marketing promotion, media monetization, VR video conversion, text message service, WeChat official account assistant, among others, covering the business cycle of AR/VR marketing services.
- **AR/VR aPaaS platform technology:** We allow developers to quickly deploy the functions needed on our aPaaS low-code development platform and to strategically use the relevant tools to form their AR/VR solutions.

Our information technology infrastructure

We use cloud and offline products to develop our main products and services, which can ensure high scalability and reliability, process large amounts of data in real time and carry out complex and diverse designs according to the actual circumstances of users.

BUSINESS

The main features of our information technology infrastructure are set out below:

- **Reliability and stability:** We set up multiple redundancy to ensure the reliability of our information technology infrastructure. Our internal network is equipped with multiple security measures to protect our database from unauthorized access, and adopts complex security measures for the internal and external communication and transmission of encrypted data. We also use firewalls to prevent unauthorized access to our systems. Furthermore, we have an automatic monitoring system that keeps track of the key indicators of our business operations and information technology infrastructure. The system triggers an alarm when any indicator exceeds the safety limit, allowing us to respond quickly to emergencies. During the Track Record Period, we did not experience any major service interruptions.
- **Security:** We adopt a variety of data backup methods, including local backup and cloud backup, to ensure data security and prevent data loss. We encrypt and store customer data to guarantee the security of sensitive data.
- **Scalability:** We use microservice technology to build the cloud architecture of our platform, so that we can operate all parts of our business through scalable and standardized service modules with independent and automatic features, and quickly adapt to new business requirements by adding new service modules. We can also fine-tune each service module and integrate common functions into separate modules, in order to maintain a simple architecture, improve the efficiency and flexibility of our system, and reduce maintenance costs.
- **High performance:** We deploy resources to different server node vendors, operators and regions via multiple domain names while using technologies such as real-time network speed detection to detect the best communication path. This achieve high-speed data loading and improve user experience.

DATA PROTECTION AND PRIVACY

We accumulate data in the course of our business operations. We take compliance with the laws and regulations of data protection and privacy seriously and strive to protect our data from being misappropriated or misused. We only collect and store limited personal data such as mobile phone numbers from registered users of our AR/VR SaaS platform. We do not obtain information of the users' real identities when they first register with us as the users may use pseudonyms to register on our AR/VR SaaS platform and we are not able to trace the mobile phone numbers provided by the registered users to the individuals owning the mobile phone numbers. Any user that intends to register an account with us must agree to our terms of service and data privacy

BUSINESS

policy, pursuant to which such user must agree to our collection, storage and use of its personal data in accordance with applicable PRC laws and regulations. If a registered user of our AR/VR SaaS platform wishes to become a subscribed paying user or would like to use our customized AR/VR SaaS solutions, we will enter into a contract with such user and only then will we obtain the contracting party's identity information. However, we do not use the contracting party's identity information to track their online activities on our AR/VR SaaS platform.

In providing AR/VR marketing services, we collect data such as the duration of the end users viewing or participating in the activities, the number of participations and the scores from the participations, with a view to analyzing end users' behavior and to improve our services. We do not collect any personal data of the end users.

We regard all accumulated data as confidential information. We are obligated not to disclose any information collected from customers without their consent and approval. We have the required manpower and have established electronic and management procedures to protect and safeguard our data assets, including measures to prevent unauthorized access, preserve data integrity, and ensure proper use of data. Employees of different levels or with different duties are assigned different levels of system and different data access rights. We manage user roles and rights through a centralized control, and only system operators are allowed to access the physical location of our servers. In addition, we have built a hardware firewall where all traffic is inspected and filtered. We conduct a comprehensive security review of data assets on an annual basis, and perform ad hoc security reviews from time to time.

Our legal director is responsible for overseeing the legal compliance of our business practices related to data privacy. We provide ongoing training for operational and technical personnel to enhance their knowledge on data privacy. Our PRC Legal Advisors are of the view that we comply with all applicable PRC laws and regulations in all material respects regarding information security and privacy protection as detailed in the paragraph headed "Regulatory Overview — Laws and Regulations relating to Information Security and Privacy Protection" in this prospectus.

SEASONALITY

Our business is not subject to material seasonal fluctuations. Our revenue from the first quarter of each calendar year is generally affected by the closure of businesses at the beginning of the calendar year in which the Chinese New Year holidays fall, resulting in less demand from our customers. However, the market demand for our services will be stimulated by various Chinese e-commerce sales festivals and business exhibitions after the first quarter of the year.

BUSINESS

COMPETITION

The AR/VR content and services industry in which we operate is highly fragmented and intensely competitive. We are in direct competition with other AR/VR content and services providers in China. We believe that our business has advantages over our competitors' in terms of multifaceted AR/VR technologies and AR/VR interactive content production capabilities. Our multifaceted AR/VR technologies, namely the underlying technology, the content technology and the platform technology, provide support for our AR/VR business. The underlying technology is our core capability, which supports all our major businesses and establishes our competitive advantages in the industry. The content technology addresses the customers' demand and provides us with a base to grow our business. The platform technology enables our technology to be exported and empowers customers or developers to participate in the content production together with us. As we are one of the earliest companies entering the AR/VR content and services market in China, we have accumulated years of experience in AR/VR interactive content production and have a wide industry coverage of customers. We expect competition in the AR/VR content and services industry to intensify. See the paragraph headed "Risk Factors — Risks Relating to Our Business and Industry — We face intensive competition in the markets in which we operate and may not be able to compete successfully against our existing and future competitors" in this prospectus. For further details of the competition in our industry, see the section headed "Industry Overview" in this prospectus.

INTELLECTUAL PROPERTY RIGHTS

We own key intellectual property rights and proprietary rights related to business operations. As of the Latest Practicable Date, we had registered 31 trademarks in various categories, had nine invention patents, one design patent, 287 software copyrights and 21 artwork copyrights in China and 10 trademarks in Hong Kong, and have applied for the registration of 14 trademarks in various categories and three invention patents in China. In China, we had 13 registered domain names as of the Latest Practicable Date.

Our Directors confirm that during the Track Record Period and up to the Latest Practicable Date, we had not been involved in any major disputes or pending legal proceedings related to any intellectual property rights, nor received any notice of claims for infringement of intellectual property rights.

For further details of our intellectual property, see the paragraph headed "Statutory and General Information — B. Further Information about the Business of our Company — 2. Intellectual Property Rights" in Appendix IV to this prospectus.

INSURANCE

We are subject to the social insurance system of the PRC and are required to make contributions for our employees towards five categories of insurance, consisting of basic pension insurance, basic medical insurance, work-related injury insurance, unemployment insurance and maternity insurance. We have elected not to maintain certain types of insurances, such as business interruption insurance or key man insurance. Our Directors are of the view that our insurance coverage is adequate and in line with the industry norm. During the Track Record Period, we did not make any material insurance claims in relation to our business. See the paragraph headed “Risk Factors — Risks Relating to Our Business and Industry — We may not have sufficient insurance coverage to cover our potential liability or losses and as a result, our business, financial conditions, results of operations and prospects may be materially and adversely affected should any such liability or losses arise” in this prospectus for further details.

ENVIRONMENTAL, SOCIAL AND GOVERNANCE (“ESG”)

We are committed to environmental protection and promoting corporate social responsibility and best corporate governance practices to develop sustainable value for stakeholders, undertaking our responsibilities as a corporate citizen. We have established ESG policies which set forth our environmental protection measures, social responsibility principals and internal governance.

Under our ESG policies for environmental protection, we aim to promote usage of renewable resources and reduce production of hazardous chemicals and gas emissions. Our ESG policies for social responsibility and corporate governance aim to ensure that our business meets applicable laws and regulations, contribute to social responsibility causes and promote employees’ work safety. We also established ESG policies for corporate governance, which aim to manage risks in operation and enhance our operational efficiency. In addition, we endeavor to reduce any negative impacts on the environment through our commitment to energy saving and sustainable development. We will also focus on embracing diversity within our organization and equal and respectful treatment of all of our employees in their hiring, training, wellness and professional and personal development. While maximizing equal career opportunity for everyone, we will also continue to promote work-life balance and create a happy culture in our workplace for all of our employees.

We believe that it requires collective effort from our Board to evaluate and manage material ESG issues, therefore we have not established any sub-committee for ESG issues. Our Directors have collective and overall responsibility for our ESG strategy and reporting, ensuring that our ESG policies are duly implemented and comply with the latest standards and managing material ESG issues (in particular, climate-related risks and opportunities). The management will implement our ESG strategy and policies and make timely report to our Directors on ESG issues. Our

BUSINESS

Directors also support us in fulfilling our environmental and social responsibilities. Our Directors are responsible for identification, assessment and management of our ESG-related risks at least once a year, and ensuring that appropriate and effective ESG risk management and internal control systems are in place. Our Directors may assess or engage independent third party(ies) to evaluate the ESG risks and review our existing strategy, target and internal controls. Necessary improvement will then be implemented to mitigate the risks.

As a practitioner in the AR/VR content and services industry, in view of the non-manufacturing nature of our business, we believe that our operations are not a major source of environmental pollution. Our operations do not involve directly generating any significant air and noise pollution, and discharging waste. Hence, we are not aware of any relevant environmental laws and regulations in respect of air pollution and greenhouse gas emissions, discharge into water and land, and generation of hazardous and non-hazardous waste that would cause a significant impact to our environment. Under the oversight of our management, we actively identify and monitor the actual and potential impact of environmental, social and climate-related risks on our business, strategy and financial performance, and incorporate the considerations for these issues into our business, strategic and financial planning. Our Board will be collectively responsible for establishing, adopting and reviewing the ESG vision and targets of our Group, identifying key performance indicators (“KPIs”) and the relevant measurements and evaluating, determining and addressing our ESG related risks (including climate-related risks and opportunities the Group has identified over the short, medium and long term and their impact on the Group’s business, strategy and financial performance) in accordance with Appendix 27 to the Listing Rules. Our Directors will be involved in the formulation of the mechanisms and the related policies. We will assess and evaluate the ESG related risks, take mitigation steps and review our existing strategy, targets and internal control measures on an ongoing basis. Since our business operations do not involve the manufacturing of products, we do not currently have any material liabilities relating to health, work safety and environment, and do not expect that we will incur any material liabilities in this regard which could have any material adverse impact on our business and operating results.

Despite our minimal impact on the environment, we recognise our social responsibilities in managing environmental impacts associated with our operations and the importance of minimizing potential risks that might affect the implementation of our business plan, strategy and financial performance.

BUSINESS

We consider energy consumption and resource utilizations as environmental concerns relevant to our operation. We identify and assess environmental risks according to the relevant legal requirements and environmental consequences. We have adopted the following measures to identify, assess and manage risks that may arise from these aspects:

Energy consumption

- Our energy consumption is mainly derived from electricity consumption from our offices and IT servers maintained at the data centers of our external service providers. Electricity consumption is also the main source of indirect greenhouse gas emissions. Therefore, increasing energy efficiency and reducing our carbon footprint has been one of the key considerations of our operations.
- We reduce the energy consumption and carbon footprint through:
 - installing energy efficient lighting and ensuring that lights are switched off when not in use, either manually or through automatic sensors;
 - switching off certain IT equipment or automatically shutting down the power for certain systems and devices; and
 - implementing air conditioning controls, including requirements on the lowest temperature, regular maintenance of air cooling technologies and optimal timing controls.

Our estimated electricity consumption during the Track Record Period of our offices is illustrated in the following table:

	Year ended December 31,			Three months ended
	2019	2020	2021	March 31, 2022
	<i>kWh</i>	<i>kWh</i>	<i>kWh</i>	<i>kWh</i>
Electricity Consumption	33,683	40,191	147,576	86,507

Note: Our estimated amount of electricity consumption is calculated based on an average price of RMB1.205 per kWh.

BUSINESS

Our electricity consumption increased in 2021 mainly as we moved to larger office premises in 2021 to fit the increasing number of employees driven by our business expansion. Notwithstanding that we expect to continue to expand our business and increase our headcounts, we plan to take measures to maintain our electricity consumption at the level similar to that of 2021.

Resource utilizations

- In relation to resource utilization management of our offices, we adopt a document management system and a paper management system with the aim to reduce the amount of paper used for record keeping and to avoid unnecessary printing. We also ask our employees to be mindful of the environment when using office supplies and encourage them to reuse office supplies.
- We consider our water consumption to be insignificant as no water is required in our daily business operations apart from small-scaled domestic use by our employees. To avoid generating plastic waste from the use of plastic bottles, we have installed water dispensers that filter tap water for drinking purposes at our offices.
- In addition, we encourage our employees to commute by public transport. We also encourage teleconferences as opposed to physical meetings to reduce travel.

Climate Change

We acknowledge that climate-related issues pose a certain level of threat to us. Climate-related risks identified by us can be classified into two major categories: physical risk and transitional risk.

We define physical risks as risks that potentially cause physical impact to us. We believe that climate-related issues may bring about the risk of increasingly severe extreme weather events, such as more frequent storms, typhoons and flooding. We may potentially be impacted by an increased operation and maintenance cost, as well as increased investment in insurance for protection. The health and safety of employees may also be endangered.

In view of the nature of our business, our Directors are of the view that physical risks from climate change will not have major impact on our business operation or business strategy. In the case of extreme natural weather, we will actively respond to the relevant policies of local government and make contingency plans to ensure the safety of our employees and facilities. In the case of acute physical risks such as flood and fire, we will also make corresponding contingency plans and disaster preparation plans.

BUSINESS

Due to climate change and climate-related issues, consumers may shift their preferences to a sustainable lifestyle, while regulators may require increasing disclosure on emission. Such transitional risks which require us to move towards a sustainable business model may potentially lead to impacts such as increased operational cost from change of operational practices. For example, we may need to switch to energy efficient lighting or increase greenery areas on our operational premises. With regard to increasing responsibilities on emission disclosure, we may be impacted by increased cost to execute more stringent monitoring measures on emissions and resource consumption.

During the Track Record Period, our business, our results of operation and financial condition were not materially adversely impacted by any climate-related incident.

Training and safety in workplace

- We put strong emphasis on work safety, and we are committed to meeting all health and safety statutory requirements. Our employees are required to attend safety training upon commencement of their respective employment.
- We have established a business continuity plan in the event of extended service outages caused by factors beyond our control (e.g., natural disasters, man-made events). All Company sites are expected to implement preventive measures to minimize the risks of employee injury and fatality, and operational disruptions. Operations are expected to recover only when the safety of employees is ensured. We also have an evacuation procedure. In the event of a fire at our workplace, a designated personnel will assist in the evacuation of our employees and take a roll call at a designated assembly point.
- We have adopted a total ban on smoking in all of our facilities. Smoking is strictly prohibited in all enclosed areas in the offices, including private offices, conference/meeting rooms, warehouses, common areas, pantries, washrooms and reception areas.
- We are committed to providing a safe and healthy working environment for our employees. During the Track Record Period, we did not have any material accidents in the course of our business operations, nor did we receive any material claims against us for personal or property damage, health, or safety related compensation.

Corporate Social Responsibility

Since our founding, we are highly committed to sustainable corporate responsibility projects, through charitable endeavours and by extending the benefits of our ecosystem to society at large.

BUSINESS

During the Track Record Period, our achievements and initiatives in the area of corporate social responsibility include the following:

- *COVID-19 relief effort.* We take the health and safety of our employees as a top priority. We provide all of our employees with masks and other protective equipment immediately after the COVID-19 outbreak.
- *Our people.* We continuously invest in the training and career development of young talents. We strive to provide our engineers and other employees with comprehensive social benefits, a diverse work environment and a wide range of career development opportunities. We provide support to the physical and mental health of our team members and their families by providing an array of programs that help them to be in their optimum level of well-being. We are committed to the education, recruitment, development and advancement of our team members. We focus on the improvement of employees' professional development, and have made efforts to incentivise our employees to set goals and attain a "sense of fulfilment". Additionally, we place special emphasis on the building of a talent pipeline and cohesive organisational culture. We have established a comprehensive system for employee training and development, covering leadership, general competencies, professional competencies, and others. Our comprehensive training program includes corporate culture, employee rights and responsibilities, team building, professional behaviour, job performance, management skills, leadership, and administrative decision-making.
- *Data protection and privacy.* We are committed to protecting personal information and privacy. We have established and implemented a strict company-wide policy on data aggregation and processing. See the paragraph headed "— Data protection and privacy" in this section for more details.

Board diversity

- We have adopted a board diversity policy which sets out the objectives and approach to achieving and maintaining diversity of the Board in order to enhance the effectiveness of our Board. Pursuant to the board diversity policy, we seek to achieve Board diversity through the consideration of a number of factors, including but not limited to gender, age, language, cultural background, educational background, industry experience and professional experience. Our Directors have a balanced mix of knowledge and skills, including knowledge and experience in the areas of technology, business management, finance and accounting, etc. Our Directors, with two females and five males, ranging from 37 years old to 56 years old, are able to bring a balance of diversity perspectives to our Board.

BUSINESS

- We are also committed to adopting a similar approach to promote diversity within management (including but not limited to the senior management) of our Company to enhance the effectiveness of corporate governance of our Company as a whole. For further details of our board diversity policy, see the paragraph headed “Directors and Senior Management — Board diversity policy” in this prospectus.

During the Track Record Period, we did not receive any complaint from our business partners, customers or any other parties in respect of any ESG issues and we have not experienced any material environmental or workplace safety incidents arising from our operations. Our Directors further confirm that our Group had not been involved in any material non-compliance issues in respect of any applicable laws and regulations associated with ESG during the Track Record Period and up to the Latest Practicable Date.

We did not directly incur any cost of compliance with applicable ESG-related rules and regulations during the Track Record Period. Our Directors expect that our Group will not directly incur any significant costs for compliance with applicable ESG-related rules and regulations in the future.

Going forward, the Nomination Committee is delegated by our Board to be responsible for compliance with relevant codes governing board diversity under the Code. After the Listing, the Nomination Committee will review the board diversity policy from time to time to ensure its continued effectiveness and we will disclose in our corporate governance report about the implementation of the board diversity policy on an annual basis.

PROPERTY

Our headquarters is located in Beijing. As of the Latest Practicable Date, we did not have any self-owned property, and we leased five properties from Independent Third Parties, which are mainly used as our office space, and the expiry dates of the lease agreements are between November 2022 and June 2025. During the Track Record Period, we were not involved in any dispute arising from the leased properties.

As of the Latest Practicable Date, the lessor of one of our leased properties for use as our office space had not provided us with valid title certificates, relevant authorization documents or permissions evidencing their rights to lease the properties to us. As a result, the lease may not be valid, and there are risks that we may not be able to continue to use such property. Our Directors are of the view that the above-mentioned title defect would not materially and adversely affect our business operations because if we have to terminate the lease or relocate from such leased property with a title defect, we believe we will be able to relocate to alternative premises within a short period of time under comparable terms without incurring substantial additional costs.

BUSINESS

Pursuant to the applicable PRC laws and regulations, property lease contracts must be registered with the local branch of the Ministry of Housing and Urban-Rural Development of the PRC. As of the Latest Practicable Date, we had not registered the property lease contracts of five of our leased properties, primarily due to the lack of cooperation or lack of relevant title certificates from the landlords in registering the lease contracts, which were beyond our control. Our PRC Legal Advisors have advised us that the lack of registration of the lease contracts will not affect the validity of the lease agreements under PRC laws, and have also advised us that a maximum penalty of RMB10,000 may be imposed for non-registration of each lease. The estimated total maximum penalty is RMB50,000. In the event that we are required to relocate from the leased properties, given the nature of our operation, we believe that it would not be difficult for us to identify and relocate to alternative premises at comparable costs and the relocation would not result in any material disruptions to our business. Although we may incur additional relocation costs, our Directors are of the view that this would not have any material impact on our business, financial position and results of operation. During the Track Record Period and up to the Latest Practicable Date, we had not been ordered by any authorities to register any of the unregistered lease agreements.

As of the Latest Practicable Date, we did not own any properties. Therefore, according to Chapter 5 of the Listing Rules and section 6(2) of the Companies (Exemption of Companies and Prospectuses from Compliance with Provisions) Notice, this prospectus is exempted from compliance with the requirements of section 342(1)(b) of the Third Schedule to the Companies (Winding Up and Miscellaneous Provisions) Ordinance in relation to paragraph 34(2) of the Third Schedule to the Companies (Winding Up and Miscellaneous Provisions) Ordinance which requires a valuation report with respect to all our Group's interests in land or buildings.

LICENSES AND PERMITS

As advised by our PRC Legal Advisors, during the Track Record Period and up to the Latest Practicable Date, we have obtained all necessary licenses, approvals, permits, registration and archival filings granted by the relevant government authorities that are significant to our business operations in China. Such licenses, approvals, permits, registration and archival filings are still in full force and effective as of the Latest Practicable Date. We plan to update all relevant licenses, approvals, permits, registration and archival filings from time to time to comply with relevant laws and regulations.

BUSINESS

License/Permit/Certificate	Holder	Issuing Authority	Date of Grant	Expiry Date
Value-added telecommunications business operating license (within business scope of internet content provider)	Ophyer Technology	BCA	July 22, 2020 ⁽¹⁾	July 22, 2025
Value-added telecommunications business operating license (within the business scope of information services other than internet content provider)	Ophyer Technology	BCA	July 22, 2020 ⁽¹⁾	July 22, 2025
Radio and television programs production business license	Zhongrunxing	Beijing Municipal Radio and Television Bureau	April 25, 2021 ⁽²⁾	April 24, 2023
Value-added telecommunications business operating license (within business scope of internet content provider)	Beijing Xingshi	BCA	September 17, 2021	September 17, 2026
Value-added telecommunications business operating license (within business scope of internet content provider)	Hupo Jinyuan	BCA	October 14, 2021	October 14, 2026
Value-added telecommunications business operating license (within business scope of internet content provider)	Shenzhen Huachuang	Guangdong Province Communication Administration	October 27, 2021	October 27, 2026

Notes:

- Ophyer Technology has been operating with a value-added telecommunications business operating license (within business scope of Internet content provider) since 2015 and a value-added telecommunications business operating license (within the business scope of information services other than Internet content provider) since 2010.
- Zhongrunxing has been operating with a radio and television programs production business license since 2017.

BUSINESS

EMPLOYEES

As of the Latest Practicable Date, we had 144 full-time employees, all of whom are located in China. The following table sets out the number of employees by function as of the Latest Practicable Date:

Type of Employees	Number of Employees	Percentage of Total Number (%)
Research and development	67	46.5
Sales	33	22.9
Operation	18	12.5
Finance and Administration	19	13.2
Management	7	4.9
Total	144	100.0

Our success depends on our ability to attract, motivate, train and retain qualified personnel. We believe we offer our employees competitive compensation packages and an environment that encourages self-development and, as a result, have generally been able to attract and retain qualified personnel and maintain a stable core management team. We value our employees and we are committed to growing with our own employees.

We recruit personnel through professional headhunting companies and recruitment websites. We have set up an employee incentive scheme to link employees' remuneration to their overall performance, and a performance-based remuneration reward system to keep them motivated. The promotion of each employee is not merely based on such employee's position and seniority. We also have a structured salary system consisting of basic salaries, incentive payments and bonuses.

In addition, we place strong emphasis on providing trainings to our employees in order to enhance their professional skills, understanding of our industry and work place safety standards, and appreciation of our value, as well as satisfying customer services. We offer different training programs for employees at various positions. For example, we offer induction training for newly recruited employees to attend as we strive for consistency and high quality of the services we offer to our customers. In addition, we provide trainings specifically catering for different skills and knowledge needed for different positions including product training, business training, finance training and management training. We strive to maintain a local talent pool and offer a promotion path for excellent employees in our Group.

BUSINESS

During the Track Record Period, we did not have any material labor disputes or labor strikes that could have a material adverse impact on our business, financial position or operating results. In accordance with the applicable laws and regulations in the PRC, we have paid social security contributions (including retirement pension scheme, medical insurance, work-related injury insurance, unemployment insurance, maternity insurance) and housing provident fund for our employees. During the Track Record Period and up to the Latest Practicable Date, we paid full social insurance contributions and housing provident fund for all our employees except for two employees who voluntarily gave up the right to housing provident funds.

As advised by our PRC Legal Advisors, according to the *Regulation Concerning the Administration of Housing Provident Fund* (《住房公積金管理條例》), enterprises must register with the competent managing center for housing funds and open an account in a bank for the deposit of employees' housing funds. Employers are required to contribute, on behalf of their employees, to housing provident funds on time and in full. Any employer who fails to fully contribute may be ordered to make up the difference within a stipulated time limit, and the provident fund administration center may apply to the People's Court for mandatory enforcement against those who still fail to comply after the expiry of such period. Since during the Track Record Period the relevant employees are employed by Ophyer Technology and Beijing Flowing Cloud, respectively, the housing provident fund shall be paid by Ophyer Technology and Beijing Flowing Cloud, respectively, and under the supervision of the relevant regulatory authorities in Beijing pursuant to the applicable laws and regulations. As advised by our PRC Legal Advisors, we may be subject to maximum administrative fines of RMB100,000 for the above non-payment of housing provident fund contributions.

Our Directors, as advised by our PRC Legal Advisors, are of the view that the non-compliance incident of our Group in relation to housing provident fund contributions will not have a material adverse impact on our Group's operations and financial condition. Our PRC Legal Advisors are also of the view that the likelihood that our Company is prosecuted by the relevant PRC Government authorities is remote. This is primarily because: (i) the employees who voluntarily gave up the right to housing provident funds were migrant workers and according to a public reply by Beijing Housing Provident Fund Management Center on its official website on July 21, 2020, there is no compulsory requirement for payment of housing provident funds under relevant laws or regulations for migrant workers; (ii) we have not been subject to any regulatory actions or penalties in connection with the housing provident fund contributions; and (iii) the competent authorities have issued the relevant confirmations confirming that during the Track Record Period and we have not been penalized for violating laws and regulations relating to failures to comply with payment of housing provident fund contributions. We have adopted a set of internal policies in relation to housing provident fund contributions. We will endeavor to pay social insurance and housing provident fund for our employees in accordance with applicable laws and regulations.

BUSINESS

LEGAL PROCEEDINGS AND COMPLIANCE

We may be involved in legal or other disputes in the course of our daily business operations. During the Track Record Period and up to the Latest Practicable Date, we had not been involved in any actual or pending litigation, arbitration or administrative proceedings (including any bankruptcy or take-over proceedings) that we believe will have a material adverse impact on our business, operating results, financial position or reputation.

We are subject to a wide range of PRC laws and regulations in the ordinary course of business. For more details, see the section headed “Regulatory Overview” in this prospectus. As advised by our PRC Legal Advisors, save as disclosed in “— Employees” and “— Property” in this section, we had complied with the laws and regulations of the PRC applicable to us in all material respects during the Track Record Period and up to the Latest Practicable Date.

RISK MANAGEMENT AND INTERNAL CONTROL

We are subject to various risks during our operations, see the paragraph headed “Risk Factors — Risks Relating to Our Business and Industry” in this prospectus. We have established a risk management system and relevant policies and procedures which we consider suitable for our business operations. Our policies and procedures are aimed at managing and monitoring our business performance.

To monitor the continuous implementation of risk management policies and corporate governance measures after the Listing, we have adopted or will continue to adopt, among other things, the following risk management measures:

- establish the Audit Committee to review and supervise our financial reporting process and internal control system. Our Audit Committee consists of three members: Ms. Wang Beili, Mr. Jiang Yi and Mr. Tan Deqing. For the qualifications and experiences of these members, see the section headed “Directors and Senior Management” in this prospectus;
- adopt various policies to ensure the compliance with the Listing Rules, including but not limited to policies in respect of risk management, connected transactions and information disclosure;
- provide regular anti-corruption and anti-bribery compliance training for senior management and employees in order to enhance their knowledge of and compliance of applicable laws and regulations; and

BUSINESS

- arrange our Directors and senior management to attend training seminars on Listing Rules requirements and the responsibilities as directors of a Hong Kong-listed company.

We have established risk management and internal control systems, including policies and procedures that we believe are appropriate for our business operations. In particular, we have adopted and implemented risk management policies in all key aspects of our business operations such as financial reporting, information systems, regulatory compliance and human resources.

Financial reporting risk management

We have implemented a set of accounting policies for the risk management of financial reporting, such as financial reporting management policies, budget management policies, financial statement preparation policies, and finance department and employee management policies. We have implemented various procedures to put such accounting policies in place, and our finance department will review our management accounts in accordance with such procedures. We also provide trainings to personnel in the finance department on an as-needed basis focusing on accounting policies, tax management, financial reporting and other related topics.

As of the Latest Practicable Date, our finance department consisted of nine employees, led by our chief financial officer who has more than 14 years of experience in accounting and finance.

Information risk management

We have implemented multiple measures to ensure our compliance with PRC laws and regulations relating to data privacy and security. We have designated personnel with over 10 years of experience in the information technology industry to take charge of data protection and to monitor the operations of our information technology infrastructure.

During the Track Record Period and up to the Latest Practicable Date, we have not experienced any material breach of information or loss of data, nor have we experienced any material infringement and/or unauthorized use of the intellectual property rights of our copyrighted softwares.

Operational risk management

In order to effectively manage our compliance and legal risks, we have adopted strict internal procedures to ensure that our business operations are in compliance with relevant rules and regulations. Under these procedures, our legal and compliance department performs the essential function of reviewing and updating the forms of contracts we enter into with our customers and suppliers. Before we enter into any contract or business arrangement, our legal and compliance

department examines the terms of the contract and reviews all relevant documents for our business operations, including licenses and permits obtained by the counterparty to fulfill its obligations under business contracts, and all necessary relevant due diligence materials.

We improve our internal policies and update our internal templates for legal documents from time to time in response to any changes in laws, regulations and industry standards. In addition, we review the implementation of our risk management policies and measures from time to time to ensure that such policies and the relevant implementation are effective and adequate.

Human resources risk management

We have established a set of internal control policies that cover all aspects of human resource management, including recruitment, training, professional ethics and legal compliance. We adhere to high recruitment standards and strict procedures to ensure the quality of our new employees. We provide customized training to employees in different departments as necessary. Our internal management policies incorporate guidelines on codes of conduct, professional ethics and prevention of fraud, malpractice and corruption. We have also established an anonymous reporting channel, through which potential violations of internal policies or illegal acts at all levels of our Group can be reported to the management in a timely manner, and appropriate measures can be taken to mitigate any damage.

Corporate governance measures

We have established an Audit Committee, which is mainly responsible for assisting our Board by providing an independent view of the effectiveness of the financial reporting process, internal control and risk management systems of our Group, overseeing the audit process and performing other duties and responsibilities as assigned by our Board. The Audit Committee comprises three independent non-executive directors, of which the chairlady has appropriate professional qualifications.

Ongoing measures to regulate the implementation of risk management policies

Our Audit Committee, internal control department and senior management are responsible for ongoing oversight of the implementation of our risk management policies across our Company to ensure the internal control systems are effective in identifying, managing and mitigating the risks involved in the course of our business operations.

IMPACTS OF COVID-19 ON OUR OPERATIONS IN CHINA

Background

COVID-19 has spread all around the world since January 2020. As of the Latest Practicable Date, the COVID-19 pandemic has affected global public health and seriously disrupted tourism and economy. In response to the COVID-19 pandemic, the Chinese government has taken a variety of control and restriction measures, including the quarantine measures that pose restrictions on access and suspension of work in various provinces and cities in China.

On February 17, 2020, the *Guidelines on Scientific and Targeted Measures to Prevent and Control COVID-19 at Different Levels** (《關於科學防治精準施策分區分級做好新冠肺炎疫情防控工作的指導意見》) (“**Guidelines**”) was issued by the Joint Prevention and Control Mechanism of the State Council. According to the Guidelines, relevant county-level government departments in China are required to formulate specific measures to prevent and control the spread of COVID-19 locally.

Our business office is located in Beijing, one of the areas affected by COVID-19. On March 16, 2020, the *Measures on Prevention and Control of COVID-19 and Guarantee of Orderly Resumption of Work and Production of Enterprises** (《關於全力做好疫情防控工作保障企業有序復工復產的若干措施》) was published by the General Office of Beijing Municipal People’s Government, pursuant to which enterprises were encouraged to make epidemic prevention and control schedule and contingency plans, report exceptional cases to the disease prevention and control authorities timely, and to adopt flexible work arrangements.

To comply with the relevant public announcements and notices issued by the government to control the COVID-19 pandemic, we requested half of our employees to work from home from February 2, 2020 to March 2020. Employees who attended office were required to keep a distance of one meter from each other following the guidelines of the industrial park where our offices were located. On March 9, 2020, the operation of our Beijing office was fully resumed and we have not had any office disruption since then.

According to measures implemented by the Chinese government and information available to Directors as of the Latest Practicable Date, our Directors believe that COVID-19 pandemic will not pose permanent impact on our Group because most of our businesses are carried out through the Internet. Moreover, the social restrictions may promote the market demand for our AR/VR interactive content (such as VR cloud stores). The potential impacts of COVID-19 on our Group’s business in China stated herein are based on our Directors’ best estimation and beliefs, are prepared based on the latest information available to our Directors as of the Latest Practicable Date, and are subject to the development of the COVID-19 pandemic. For further details of the

risks, see the paragraph headed “Risk Factors — Risks Relating to our Business and Industry — We face risks related to natural disasters, health epidemics, and other public safety concerns” in this prospectus.

Potential impacts on the AR/VR industry

According to iResearch, under the impact of the COVID-19 pandemic, a large number of offline activities have been transferred online and users have more practical experience in living on and working through the Internet. As the COVID-19 pandemic has restricted traveling, demand for online interactive scenarios such as remote office and distance education based on AR/VR has increased. As users spend more time staying at home during the COVID-19 pandemic, demand for online entertainment such as watching AR/VR content and playing AR/VR games has also increased. As the COVID-19 pandemic has restricted some business activities such as tourism and house viewing, the demand for online panoramic tours and house viewings based on AR/VR technology has also increased. Users forming habits of transferring their daily activities online will provide a good user base for the popularization of the AR/VR industry. The AR/VR content and services industry will benefit from the popularization and development of the AR/VR industry. The COVID-19 pandemic has some short-term negative impact on the AR/VR industry. For example, production of AR/VR hardware was delayed during the pandemic resulting in the decrease in the supply of AR/VR hardware. However, the supply of AR/VR hardware is expected to grow in the future driven by the increasing demand for AR/VR hardware. For another example, as some industries such as culture and tourism were adversely affected by the COVID-19 pandemic, expenditures on AR/VR were cut down. In the long run, however, users may form the habit of online sightseeing during the pandemic, which may drive the growth of AR/VR content in culture and tourism in the future. Taking into account the impact of the COVID-19 pandemic, the AR/VR content and services market size in terms of revenue in China is expected to increase from RMB35.7 billion in 2022 to RMB130.2 billion in 2026 at a CAGR of 38.2%, according to iResearch.

Potential Impacts on our Business

The COVID-19 pandemic had a certain impact on our business in 2020. Our revenue from AR/VR content and services businesses grew at a slower pace in 2020, which was mainly due to the COVID-19 outbreak as, to the best knowledge, information and belief of our Directors after having made reasonable enquiries, some of our advertising customers scaled down their budget, spending and marketing investment in the first half of 2020.

BUSINESS

Throughout the outbreak of COVID-19 from February to March 2020, we maintained our operation by allowing around half of our employees to work from home. As the COVID-19 pandemic has gradually been brought under control in China, all of our business operations were back on track during the second half of 2020.

An outbreak of the Omicron, a COVID-19 variant, in China and globally since the beginning of 2022 had again caused more stringent measures implemented in the affected areas, including temporary lock-down measures in various regions of China, including in particular Shanghai, certain districts of Beijing and Hainan. To comply with the relevant anti-pandemic requirements of the government of Chaoyang District, Beijing, we implemented a mandatory work-from-home policy for the period from May 5, 2022 to May 29, 2022. Our office re-opened on May 30, 2022 and our employees resumed working in the office by batches. The COVID-19 pandemic situation in China in the seven months ended July 31, 2022 was more severe as compared to the seven months ended July 31, 2021 due to sporadic outbreaks in multiple regions. The recent COVID-19 outbreak in China has not had a material impact on our business operations and financial performance.

In the unlikely event that we are forced to suspend our business operations as a result of the COVID-19 pandemic, whether due to government policy or any other reasons beyond our control, we estimate our financial resources as of July 31, 2022 could satisfy our necessary costs for over one year. Our key assumptions in the worst case scenario where our business operations are forced to be suspended due to the impact of the COVID-19 pandemic include: (i) approximately 10% of the net proceeds of the Global Offering, assuming the Offer Price is fixed at the mid-point of the indicative Offer Price range, being HK\$2.55 per Share, will be used in general working capital; (ii) we will not generate any income due to the suspension of business; (iii) no further cash receipts from customers or cash payment to suppliers; (iv) full time staff, including operational and administrative staff, are encouraged to apply unpaid leave under mutual consent or dismissed upon proper notice in accordance with the employment contract and no significant compensation is incurred; (v) minimal operating and administrative costs will be incurred to maintain our operation at minimum level (including staff costs, office expenses, fees to be incurred as a listed company such as annual listing fee, annual audit fee, financial reports and compliance adviser fee); (vi) all necessary routine expenditure and payments, including costs as discussed in (v) and lease liabilities are paid on a monthly basis; (vii) the expansion plans and business strategies as stated in the paragraph headed “— Our Development Strategies” in this section are delayed under such condition; (viii) there will be no further internal or external financing; and (ix) no further dividend will be declared and paid under such situation.

BUSINESS

The abovementioned extreme situations may or may not occur at the same time or at all. The abovementioned analysis is for illustrative purposes only and are assumptions. Our Directors currently assess that the likelihood of such situation(s) occurring is remote. The actual impact caused by the COVID-19 pandemic will depend on its subsequent development; therefore, there is a possibility that such impact to our Group may be out of our control and beyond our estimation and assessment.

As COVID-19 only had a relatively limited impact on our business during the Track Record Period and up to the Latest Practicable Date, our Directors believe that the COVID-19 pandemic will have a relatively limited impact on our businesses in the long term. Nevertheless, we plan to stay alert and closely monitor and evaluate the market situation based on any development of the COVID-19 pandemic in the future.

AWARDS AND RECOGNITION

The following table sets forth the major awards and achievements we acquired during the Track Record Period:

Year	Awards/Honors	Award-granting Institution	Award-winning Entity
2018 . . .	2018新三板TOP100最具投資價值企業 (2018 NEEQ Top 100 Most Valuable Companies for Investment*)	2018新三板投資年會 (NEEQ 2018 Annual Investment Meeting*)	Ophyer Technology
2018 . . .	2018 Forbes China Top 100 NEEQ Enterprises	Forbes China	Ophyer Technology
2019 . . .	中關村高新技術企業 (Zhongguancun High and New Technology Enterprises*)	中關村科技園區管理委員會 (Zhongguancun Science and Technology Park Management Committee*)	Ophyer Technology
2020 . . .	2019品牌強國(文化科技行業)十大創新力企業 (2019 Brand Power (Culture and Technology Industry) Top 10 Innovative Enterprises*)	品牌強國經濟論壇 (Brand Power Economic Forum*)	Ophyer Technology

BUSINESS

Year	Awards/Honors	Award-granting Institution	Award-winning Entity
2021 . . .	新浪VR大浪淘沙2020年度優秀XR行業應用 (Sina VR Big Wave Taosha 2020 Outstanding XR Industry Application*)	Sina VR	Ophyer Technology
2021 . . .	2021年京東天工平台優質供應商 (2021 Outstanding Supplier of JD Tiangong Platform*)	JD.com	Ophyer Technology
2021 . . .	副會長單位 (Vice President Unit)	中關村虛擬現實產業協會 (Zhongguancun Virtual Reality Industry Association*)	Ophyer Technology
2021 . . .	京東ARVR最佳創意獎 (JD ARVR Most Creative Award*)	JD.com	Ophyer Technology

FINANCIAL INFORMATION

The following discussion and our analysis should be read in conjunction with our historical financial information included in the Accountants' Report in Appendix I, together with the accompanying notes. Our consolidated historical financial information have been prepared in accordance with IFRS.

The following discussion and analysis contain forward-looking statements that reflect our current views with respect to future events and financial performance. These statements are based on our assumptions and analysis in light of our experience and perception of historical trends, current conditions and expected future developments, as well as other factors we believe are appropriate under the circumstances. However, whether actual outcomes and developments will meet our expectations and predictions depends on a number of risks and uncertainties. In evaluating our business, you should carefully consider the information provided in this prospectus, including but not limited to the sections headed "Risk Factors" and "Business" in this prospectus.

OVERVIEW

We provide AR/VR content and services in China, and in particular, the provision of AR/VR marketing services to advertising customers was our largest revenue contributor during the Track Record Period. According to iResearch, we ranked the first in terms of revenue in the AR/VR content and services market in China, amounting to 2.6% of the market share in 2021. We also ranked the first in terms of revenue in the AR/VR services market in China, reaching 13.5% of the market share in 2021. Through accumulation of experiences and know-hows, we have created a business providing a variety of services in connection with AR/VR, mainly including (i) AR/VR marketing services, (ii) AR/VR content, (iii) AR/VR SaaS and (iv) IP business.

AR/VR marketing services business is currently our primary source of revenue. The business model of our AR/VR marketing services business is “we develop and we help you use”. We provide AR/VR content modules and development tools and help our customers place their advertisements. Working with media platforms and their agents, we primarily provided AR/VR marketing services to our advertising customers during the Track Record Period. We charge our customers based on the outcome of the services, such as marketing performance. Leveraging our advantages in technology and media resources, we provide customers with comprehensive AR/VR marketing services, including formulating AR/VR marketing services plans, designing AR/VR marketing content, distributing AR/VR marketing content, and collecting, monitoring and optimizing data and feedback, in order to realize our customers' business goals such as enhancing brand exposure and improving brand awareness.

FINANCIAL INFORMATION

Utilizing our self-developed AR/VR development engines, our AR/VR content business offers customized content according to the needs of our customers. We provide AR/VR content to customers from various industries, including entertainment, gaming, education, culture and tourism, technology, healthcare and automobiles, and bring end users a diversified and immersive experience in a virtual world. The business model of our AR/VR content business is “*we develop and you use*”. We develop AR/VR content according to the requirements of our customers, which are then utilized by the customers in their businesses and provided to the end users. We generally charge a one-off fee when we provide the content products to our customers.

Leveraging the experiences we accumulated in the AR/VR content and services businesses, we provide standardized solutions on our AR/VR SaaS platform. The business model of our AR/VR SaaS business is “*you develop and you use*”. Our AR/VR SaaS platform enables our customers to generate, publish and utilize AR/VR content. We charge our customers for subscribing to our SaaS products or for developing customized SaaS solutions. Our AR/VR SaaS platform provides our customers with a range of online AR/VR interactive content design, development and distribution tools and empowers our customers to create activities that offer experiences such as exhibition, showcase, live-streaming and marketing, with the goal to improve the level and extent of participation of their end users.

Our IP business licenses IP rights to customers to enable them to develop games, cartoons, TV plays, movies and other works. During the Track Record Period, we mainly licensed out IPs we purchased from third parties. We have shifted our focus and going forward, we will mainly use IP resources to support our AR/VR businesses and license IP rights on a case-by-case basis to meet specific customer demands.

We experienced significant growth during the Track Record Period. Our revenue increased from RMB250.9 million in 2019 to RMB338.6 million in 2020 and further to RMB595.3 million in 2021, representing a CAGR of 54.0%. Our revenue increased by 65.0% from RMB138.7 million in the three months ended March 31, 2021 to RMB228.9 million in the three months ended March 31, 2022. Our net profit increased from RMB41.9 million in 2019 to RMB60.3 million in 2020 and further to RMB71.7 million in 2021, representing a CAGR of 30.9%. Our net profit increased significantly by 315.9% from RMB9.2 million in the three months ended March 31, 2021 to RMB38.2 million in the three months ended March 31, 2022.

RECENT DEVELOPMENT OF OUR BUSINESS OPERATIONS

Since the end of the Track Record Period and up to the Latest Practicable Date, our business continued to expand. In the seven months ended July 31, 2022, we provided services to over 25 advertising customers and promoted more than 150 advertising products in respect of our AR/VR marketing services business. In respect of our AR/VR content business, we carried out more than

FINANCIAL INFORMATION

60 AR/VR content projects for over 25 customers in the seven months ended July 31, 2022. Furthermore, we carried out more than 170 customized AR/VR SaaS projects and acquired over 1,400 additional subscribed paying users of our AR/VR SaaS platform in the seven months ended July 31, 2022. In the seven months ended July 31, 2022, the revenue generated from each of our AR/VR marketing services, AR/VR content and AR/VR SaaS businesses increased compared to the same period in 2021. According to our unaudited consolidated financial information for the seven months ended July 31, 2021 and 2022, respectively, we recorded revenue of RMB322.3 million and RMB556.5 million, and gross profit of RMB93.2 million and RMB175.1 million, representing gross profit margin of 28.9% and 31.5%.

We are responsible for the preparation of the unaudited consolidated financial information for the seven months ended July 31, 2022 in accordance with the basis of preparation as well as the accounting policies, which conform with the IFRS, and are consistent with those adopted for the preparation of the historical financial information for the three years ended December 31, 2021 and the three months ended March 31, 2022 as set out in the Accountants' Report in Appendix I to this prospectus. Our unaudited consolidated financial information for the seven months ended July 31, 2022 has been reviewed by Deloitte Touche Tohmatsu, our reporting accountants (the **"Reporting Accountants"**) in accordance with Hong Kong Standard on Review Engagements 2410 "Review of Interim Financial Information Performed by the Independent Auditor of the Entity" issued by the Hong Kong Institute of Certified Public Accountants.

BASIS OF PRESENTATION

Our Company was incorporated in the Cayman Islands on June 24, 2021 as an exempted company with limited liability under the Companies Act. We are an investment holding company. Our consolidated financial information has been prepared in accordance with the IFRS issued by the International Accounting Standards Board. Prior to the incorporation of our Company and the completion of the Reorganization, details of which are set out in the section headed "History, Development and Corporate Structure" in this prospectus, the main operating activities of our Group were carried out by Ophyer Technology and its subsidiaries, which were established in the PRC. In preparation for the Listing, our Group underwent the Reorganization. Our Group resulting from the Reorganization is regarded as a continuing entity throughout the Track Record Period, regardless of the actual date when they legally form part of a group. Accordingly, the consolidated statements of profit or loss and other comprehensive income, consolidated statements of changes of equity and consolidated statements of cash flows for the Track Record Period have been prepared to include the results, changes in equity and cash flows of the companies now comprising our Group as if our group structure upon the completion of the Reorganization had been in existence throughout the Track Record Period, or since their respective dates of incorporation or establishment, where there is a shorter period. The consolidated statements of financial position of our Group as of December 31, 2019, 2020 and 2021, and March 31, 2022 have been prepared to

FINANCIAL INFORMATION

present the assets and liabilities of the companies now comprising our Group at the carrying amounts shown in the financial statements of our group entities, as if the current group structure upon completion of the Reorganization had been in existence at those dates taking into account the respective dates of incorporation or establishment, where applicable.

MAJOR FACTORS AFFECTING OUR RESULTS OF OPERATIONS

Our results of operations have been, and are expected to continue to be, materially affected by a number of factors, some of which are outside of our control. These factors include but are not limited to the following:

General Economic Conditions and Growth of Our Industry

Our business and operating results are impacted by China's overall economic growth, especially the growth of China's AR/VR content and services industries. According to iResearch, the maturity in the hardware technology and the improvement in the infrastructure including 5G and Wi-Fi 6 will drive the development of the AR/VR content and services market in China. With the maturity of AR/VR technology and the popularization of equipment, AR/VR is likely to become a more popular form of content presentation in China. According to iResearch, the market size of China's AR/VR content and services market in terms of revenue increased from RMB1.1 billion in 2017 to RMB21.7 billion in 2021 at a CAGR of 110.2%. The AR/VR marketing services market is a major component of the AR/VR services market in China. Our revenue from AR/VR marketing services, AR/VR content and AR/VR SaaS businesses grew by 40.6% from RMB188.9 million in 2019 to RMB265.7 million in 2020, and further grew by 110.1% to RMB558.3 million in 2021. Our revenue from AR/VR marketing services, AR/VR content and AR/VR SaaS businesses grew by 81.6% from RMB126.0 million in the three months ended March 31, 2021 to RMB228.8 million in the three months ended March 31, 2022. Our revenue from AR/VR content and services businesses grew at a slower pace in 2020, which was mainly due to the COVID-19 outbreak as, to the best knowledge, information and belief of our Directors after having made reasonable enquiries, some of our advertising customers scaled down their budget, spending and marketing investment in the first half of 2020. We have resumed the normal pace of business growth since then and our revenue from AR/VR marketing services, AR/VR content and AR/VR SaaS businesses increased significantly by 110.1% from RMB265.7 million in 2020 to RMB558.3 million in 2021. According to iResearch, China's AR/VR content and services market is growing at a fast pace and with the more prevalent and in-depth applications of AR/VR content and services in different industries and settings, it is expected that the market size of China's AR/VR content and services market in terms of revenue will increase and reach RMB130.2 billion in 2026, at a CAGR of 38.2% from 2022, and become an important driving force to empower the Metaverse.

FINANCIAL INFORMATION

Expansion of Our Customer Base

As we generate most of our revenue from the provision of AR/VR marketing services and AR/VR content, the customers who use our services or purchase our content are crucial to our results of operations and continued revenue growth. The number of customers using our AR/VR marketing services or purchasing our AR/VR content increased from 29 in 2019 to 44 in 2020, and further to 70 in 2021, mainly as a result of our continuously innovating AR/VR development engines and technologies in response to market trends, thereby increasing our customers' satisfaction and increasing their stickiness to us. We have a wide industry coverage of customers and during the Track Record Period, we provided AR/VR content and services to customers from more than 10 industries, including entertainment, gaming, Internet, e-commerce, culture and tourism, business services, education, finance, real estate, automobiles, live-streaming, technology and healthcare.

Continued expansion of our customer base strengthened our brand and reputation within the AR/VR content and services industry, thereby attracting more customers for our products and services and allowing us to optimize our fees. During the Track Record Period, we acquired our customers mainly through our marketing effort. Our distribution and selling expenses increased from RMB5.5 million in 2019 to RMB7.3 million in 2020, and further increased to RMB13.7 million in 2021, mainly attributable to the expansion of our sales force and increased compensation as well as expenses for our marketing campaigns incurred from time to time.

During the Track Record Period, our AR/VR SaaS business also experienced significant growth. We started to generate revenue from our AR/VR SaaS business in 2019 and our revenue from AR/VR SaaS business amounted to RMB6.5 million in 2019. Our revenue from AR/VR SaaS business increased from RMB6.5 million in 2019 to RMB9.2 million in 2020, and further to RMB20.6 million in 2021. Our revenue from AR/VR SaaS business increased from RMB2.1 million in the three months ended March 31, 2021 to RMB9.5 million in the three months ended March 31, 2022. During the Track Record Period, the increase in our revenue from the AR/VR SaaS business was mainly attributable to an increase in the number of customized SaaS projects we carried out, an increase in the price range of the customized AR/VR SaaS projects, and the increase in the number of customers that subscribed to our standardized SaaS services. The number of registered users of our AR/VR SaaS platform increased from 1,828 as of December 31, 2019 to over 14,000 as of March 31, 2022. The number of subscribed paying users of our AR/VR SaaS platform increased from nil in 2019 to over 2,200 as of March 31, 2022.

FINANCIAL INFORMATION

Our Ability to Innovate and Expand Our Product and Service Offerings

We are a technology-driven AR/VR content and services company and we are committed to innovation and R&D investment. We believe our ability to grow our business significantly depends on our ability to continue to enhance technology capabilities and offer better and more powerful technology-enabled solutions and AR/VR interactive content for our customers. We have established a research and development team with 67 members, accounting for approximately 46.5% of our total employees as of the Latest Practicable Date. Approximately 58.2% of our research and development team members had obtained bachelor's degrees or above, and 64.2% of them have over five years of experience in software development or art and animation designs as of the Latest Practicable Date. In 2019, 2020 and 2021, and the three months ended March 31, 2022, our research and development expense amounted to RMB11.4 million, RMB15.0 million, RMB21.7 million and RMB8.2 million, accounting for 4.6%, 4.4%, 3.6% and 3.6% of our revenue in 2019, 2020 and 2021, and the three months ended March 31, 2022, respectively. Additionally, we constantly seek to expand our product and service offerings through updates and new releases, to enrich our customers' experience and cater to their evolving business needs and requirements. We have made multiple breakthroughs in innovation and expansion of our offerings in AR/VR marketing services and AR/VR content. We have developed a comprehensive suite of AR/VR technologies, including our AR/VR development engines and our AR/VR SaaS platform. For further information, see the paragraphs headed "Business — Our Business — Our Services and Products — AR/VR SaaS" and "Business — Our Technologies and Infrastructure" in this prospectus. We believe our research and development capabilities and innovation provide us with barriers against competition and reinforce our market position. We will continue to make investment in research and development to increase our innovation capabilities, attract more talent, and launch new and innovative products catering to the evolving needs of customers.

Changes to Our Product and Service Mix

Our revenue and profitability are affected by our product and service mix. During the Track Record Period, we generated most of our revenue from AR/VR marketing services and AR/VR content businesses, which accounted for 72.7%, 75.7%, 90.3% and 95.8% of our total revenue in 2019, 2020 and 2021, and the three months ended March 31, 2022, respectively. Our revenue from AR/VR marketing services and AR/VR content businesses increased from RMB182.4 million in 2019 to RMB256.5 million in 2020, and further to RMB537.7 million in 2021, notwithstanding the slowdown in business in the first half of 2020 because of the outbreak of COVID-19. Our revenue from AR/VR marketing services and AR/VR content businesses increased from RMB123.9 million in the three months ended March 31, 2021 to RMB219.3 million in the three months ended March 31, 2022.

FINANCIAL INFORMATION

During this period, we have also been diversifying our product portfolio by generating income from our AR/VR SaaS business. Our revenue generated from each of these services or products may fluctuate for a number of reasons, such as demand of customers and market conditions. For synergy effect among our various business segments, see the paragraph headed “Business — Our Competitive Advantages — Strong synergy effect among our various business segments” in this prospectus.

The gross margin of different products and services may also vary, and as a result, changes in our product mix affect our overall gross margin. Our overall gross margin may vary depending on our product and service mix, with our AR/VR SaaS business having the highest margin, followed by AR/VR content, and AR/VR marketing services, IP and other businesses typically having lower gross margins. Particularly, the gross margin of our AR/VR SaaS business was 50.5%, 52.9%, 54.7% and 57.9%, in 2019, 2020 and 2021, and the three months ended March 31, 2022, respectively. The gross margin of our AR/VR content business was 47.9%, 47.2%, 46.2% and 55.3%, in 2019, 2020 and 2021, and the three months ended March 31, 2022, respectively. The gross margin of our AR/VR marketing services business was 21.2%, 19.4%, 21.7% and 23.0%, in 2019, 2020 and 2021, and the three months ended March 31, 2022, respectively.

See the paragraph headed “— Description of Major Components of Our Results of Operations — Gross Profit and Gross Margin” in this section for more details on our gross margins. We believe our changing product mix will continue to have an impact on our revenue and profitability.

Our Relationship with Business Partners and Suppliers

Our major suppliers are primarily (i) agents of media platforms which provide traffic and (ii) companies which offer subcontracting and development services or provide content materials or IPs. Our ability to grow our business is, to a large extent, dependent on our relationship with agents of media platforms and media platforms, which is crucial to our ability to serve our customers’ evolving needs to market their products and services. Our largest component of cost of revenue is traffic acquisition costs that we pay to our suppliers. In 2019, 2020 and 2021, and the three months ended March 31, 2022, our traffic acquisition costs amounted to RMB115.3 million, RMB138.4 million, RMB311.5 million and RMB126.7 million, respectively, which accounted for 65.6%, 59.2%, 74.2% and 81.5% of our total cost of revenue, respectively. The increase in our traffic acquisition costs was driven by the growth of our AR/VR marketing services business. Our traffic acquisition costs are also affected by the charge rate of our suppliers, which may fluctuate based on the popularity of, and demand for, the advertising traffic provided by our suppliers. We expect our traffic acquisition costs would increase in the future as we further grow our businesses. If we lose access to any one of our existing major suppliers and are not able to source any alternative suppliers in a timely manner, or at all, our results of operations may be materially and adversely affected.

FINANCIAL INFORMATION

Competition

China's AR/VR content and services market is highly fragmented with over 5,000 players in the market. We are in direct competition with other AR/VR content and services providers in China. We believe that we compete with our competitors on a number of factors, primarily including technology, innovation, quality of services, business operation, price, financial resources, brand recognition and reputation. We believe that our business has advantages over our competitors' in terms of multifaceted AR/VR technologies and AR/VR interactive content production capabilities. Our ability to successfully compete against our competitors affects our ability to grow our business and our results of operations. To distinguish ourselves from our competitors, we plan to further improve our service and product offerings and strengthen our technology capabilities. For more details about the industry and markets that we operate in, see the section headed "Industry Overview" in this prospectus.

Seasonality

Our business is not subject to material seasonal fluctuations. Our revenue from the first quarter of each calendar year is generally affected by the closure of businesses at the beginning of the calendar year in which the Chinese New Year holidays fall, resulting in less demand from our customers. However, the market demand for our services will be stimulated by various Chinese e-commerce sales festivals and business exhibitions after the first quarter of the year.

Tax

Our income tax expense was RMB6.5 million, RMB10.1 million, RMB15.4 million and RMB10.6 million in 2019, 2020 and 2021, and the three months ended March 31, 2022, respectively. Our effective income tax rate, which is calculated by dividing income tax expense by profit before tax for the same period, was approximately 13.4%, 14.4%, 17.7% and 21.8% for the same periods, respectively. Our relatively low effective income tax rates during these periods were primarily because Ophyer Technology was qualified as a high and new technology enterprise and enjoyed lower income tax rate of 15% during the Track Record Period. Two of our PRC subsidiaries, namely Shixin Network in Horgos and Kashi Fanxing in Kashi, were exempted from income tax from their respective dates of establishment to December 31, 2020. In addition, certain of our PRC subsidiaries have been approved as small low-profit enterprises and were subject to a preferential income tax rate of 5% or 10% during the Track Record Period. Our income tax expense and income tax rate, and in turn, our profit for the year, will continue to be affected by the availability of preferential tax treatments. See the paragraph headed "Risk Factors — Risks Relating to Our Business and Industry — Any discontinuation, reduction or delay of any preferential tax treatments or government grants that may be available to us in the future could materially and adversely affect our business, financial condition and results of operations" in this prospectus.

FINANCIAL INFORMATION

IMPACT OF COVID-19 ON OUR OPERATIONS

During the outbreak of COVID-19, as China adopted various social distancing initiatives in response to the pandemic, many people turned to online social and shopping activities in lieu of physical gatherings. Consequently, there was an increase in demand for online business and AR/VR marketing services. However, this increase in demand was affected by a few negative factors, such as reduced business activity and income as a result of lock-down and mandatory or voluntary social distancing, and reduced consumption as a result of general concerns and uncertainty about the pandemic and the economy.

Our results of operations were affected by the following specific factors. Our revenue from AR/VR content and services businesses grew at a slower pace in 2020, which was mainly due to the COVID-19 outbreak as, to the best knowledge, information and belief of our Directors after having made reasonable enquiries, some of our advertising customers scaled down their budget, spending and marketing investment in the first half of 2020. However, we expect the COVID-19 pandemic may further drive the demand for and utilization of AR/VR content and services in the long term as under the impact of the COVID-19 pandemic, a large number of offline activities have been transferred online and users have more practical experience in living on and working through the Internet. Users forming habits of transferring their daily activities online will provide a good user base for the popularization of AR/VR content and services. Notwithstanding the COVID-19 pandemic, our revenue increased by 34.9% from RMB250.9 million in 2019 to RMB338.6 million in 2020.

An outbreak of the Omicron, a COVID-19 variant, in China and globally since the beginning of 2022 had again caused more stringent measures implemented in the affected areas, including temporary lock-down measures in various regions of China, including in particular Shanghai, certain districts of Beijing and Hainan. To comply with the relevant anti-pandemic requirements of the government of Chaoyang District, Beijing, we implemented a mandatory work-from-home policy for the period from May 5, 2022 to May 29, 2022. Our office re-opened on May 30, 2022 and our employees resumed working in the office by batches. The COVID-19 pandemic situation in China in the seven months ended July 31, 2022 was more severe as compared to the seven months ended July 31, 2021 due to sporadic outbreaks in multiple regions. The recent COVID-19 outbreak in China has not had a material impact on our business operations and financial performance.

FINANCIAL INFORMATION

There remains significant uncertainties surrounding the COVID-19 outbreak and its further development as a global pandemic. Should China experience further outbreak, China may again take emergency measures to combat it, including travel restrictions, mandatory cessations of business operations, mandatory quarantines, work-from-home and other alternative working arrangements, and limitations on social and public gatherings and lockdowns of cities or regions, which may impact businesses of our customers and in turn may affect our results of operations. See the paragraph headed “Risk Factors — Risks Relating to our Business and Industry — We face risks related to natural disasters, health epidemics, and other public safety concerns” in this prospectus.

SIGNIFICANT ACCOUNTING POLICIES AND KEY SOURCES OF ESTIMATES

Our significant accounting policies and key sources of estimates, which are important for an understanding of our financial condition and results of operations, are set forth in Note 4 and Note 5 to the Accountants’ Report set out in Appendix I to this prospectus. In the application of our accounting policies, our Directors are required to make judgments, estimates and assumptions about the carrying amounts of assets and liabilities that are not readily apparent from other sources. The estimates and associated assumptions are based on historical experience and other factors that are considered to be relevant. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an on-going basis. Revisions to accounting estimates are recognized in the period in which the estimate is revised if the revision affects only that period or in the period of the revision and future periods if the revision affects both current and future periods. We set forth below those accounting policies and estimates that we believe involve the most significant estimates used in the preparation of our historical financial information.

Revenue from contracts with customers

We recognize revenue when (or as) a performance obligation is satisfied, i.e. when “control” of the goods or services underlying the particular performance obligation is transferred to the customer.

FINANCIAL INFORMATION

A performance obligation represents a good or service (or a bundle of goods or services) that is distinct or a series of distinct goods or services that are substantially the same. Control is transferred over time and revenue is recognized over time by reference to the progress towards complete satisfaction of the relevant performance obligation if one of the following criteria is met: (i) the customer simultaneously receives and consumes the benefits provided by our performance as we perform; (ii) our performance creates or enhances an asset that the customer controls as we perform; or (iii) our performance does not create an asset with an alternative use to us and we have an enforceable right to payment for performance completed to date. Otherwise, revenue is recognized at a point in time when the customer obtains control of the distinct goods or service.

A contract liability represents 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.

There are no variable consideration and significant financing component for our revenue from contracts with customers.

Over time revenue recognition: measurement of progress towards complete satisfaction of a performance obligation

The progress towards complete satisfaction of a performance obligation is measured based on output method, which is to recognize revenue on the basis of direct measurements of the value of the goods or services transferred to the customer to date relative to the remaining goods or services promised under the contract, that best depict our performance in transferring control of goods or services.

AR/VR marketing services business

We develop AR/VR marketing content to provide solutions to customers, including the design and placement of advertisements, based on such AR/VR content. We provide customers with comprehensive AR/VR marketing services, including formulating AR/VR service plans, designing AR/VR marketing content, distributing AR/VR marketing content, and collecting, monitoring and optimizing marketing data and feedback, in order to realize the customers' targets such as enhancing brand exposure and improving brand awareness.

We recognize revenue at a point in time when specific services are provided based on the results of the placement of services in relevant platforms which are confirmed with the customers on a monthly basis.

FINANCIAL INFORMATION

AR/VR content business

Utilizing our self-developed AR/VR development engines, our AR/VR content business offers customized content according to the needs of our customers. We provide AR/VR content to customers and bring the end users diversified and immersive experiences in a virtual world.

Revenue is recognized at a point in time when control over the customized content has been transferred to the customer at a point in time.

AR/VR SaaS services

Leveraging the experiences we accumulated in AR/VR service and AR/VR content businesses, we provide standardized solutions on the AR/VR SaaS platform. The AR/VR SaaS platform enables customers to generate, publish and utilize AR/VR content.

We charge customers for developing customized SaaS content. Revenue from developing customized content is recognized at a point in time when control over the customized content has been transferred to the customer.

Other SaaS services are provided on a subscription basis, and a monthly or annual subscription fee is charged to customers. Revenue generated from subscription fees is recognized over the subscription period on a straight-line basis.

IPs

Revenue from sale of IPs is recognized when the control of the certain adaptation rights of IPs is transferred to a customer. Control of the rights is transferred to the customers, when an agreement has been signed with a customer and the required documents have been delivered.

Others

We also generate revenue from text message services, promotion services, technical services, artist endorsement services, and games and games related business. We recognize revenue at a point in time when specific services are provided or the customized product is passed to the customer.

FINANCIAL INFORMATION

Key Sources of Estimation Uncertainty

Fair value of shares with preferred rights and preferred shares

We issued a series of shares with preferred rights and preferred shares during the Track Record Period. We recorded these financial instruments as financial liabilities at FVTPL for which no quoted prices in an active market exist. The fair value of the financial instruments is established by using valuation techniques, which include discounted cash flow and option pricing model involving various parameters and inputs. Valuation techniques are certified by an independent qualified professional valuer before being implemented for valuation and are calibrated to ensure that outputs reflect market conditions. However, it should be noted that some inputs, such as the growth rate in our cash flow projections, the discount rates, time to liquidation, risk-free interest rate, expected volatility value, dividend yield and possibilities under different scenarios of qualified listing, redemption, and liquidation, require management estimates. Management estimates and assumptions are reviewed periodically and are adjusted if necessary. Should any of the estimates and assumptions changed, it may lead to a change in the fair value of the financial liabilities at FVTPL.

Provision of expected credit loss (“ECL”) for trade receivables

We recognize lifetime ECL for trade receivables, using collective assessment based on our Group’s internal credit ratings except that those with significant increase in credit risk or credit-impaired are assessed individually. The debtors with significant increase in credit risk or credit-impaired are assessed individually by reference to aging, past default experience and current past due exposure of the debtor, and an analysis of the debtor’s current financial position. Estimated loss rates are based on historical observed default rates over the expected life of the debtors and are adjusted for forward-looking information. At every reporting date, the historical observed default rates are reassessed and changes in the forward-looking information are considered. As of January 1, 2019, December 31, 2019, 2020 and 2021, and March 31, 2022, the carrying amounts of trade receivables were RMB106.5 million, RMB96.7 million, RMB139.8 million, RMB161.9 million and RMB197.9 million after deducting allowance for credit losses of RMB2.9 million, RMB5.5 million, RMB7.9 million, RMB7.0 million and RMB12.6 million, respectively.

FINANCIAL INFORMATION

CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME

The following table sets forth a summary of our consolidated statements of comprehensive income, with line items in absolute amounts and as percentages of our revenue for the periods indicated:

	For the year ended December 31,						For the three months ended March 31,			
	2019		2020		2021		2021		2022	
	RMB'000	%	RMB'000	%	RMB'000	%	RMB'000	%	RMB'000	%
	(Unaudited)									
Revenue	250,942	100.0	338,598	100.0	595,290	100.0	138,749	100.0	228,869	100.0
Cost of revenue	(175,617)	(70.0)	(233,894)	(69.1)	(419,774)	(70.5)	(101,463)	(73.1)	(155,586)	(68.0)
Gross Profit	<u>75,325</u>	<u>30.0</u>	<u>104,704</u>	<u>30.9</u>	<u>175,516</u>	<u>29.5</u>	<u>37,286</u>	<u>26.9</u>	<u>73,283</u>	<u>32.0</u>
Other income	329	0.1	1,723	0.5	3,130	0.5	192	0.1	595	0.3
Fair value changes on financial liabilities designated as at FVTPL	—	—	(1,357)	(0.4)	(21,075)	(3.5)	(8,700)	(6.3)	—	—
Other gains and losses	(128)	(0.1)	273	0.1	447	0.1	(819)	(0.6)	(20)	(0.0)
Impairment losses under ECL model, net of reversal	(3,396)	(1.3)	(2,115)	(0.6)	864	0.1	(2,716)	(1.9)	(5,625)	(2.5)
Distribution and selling expenses	(5,457)	(2.2)	(7,257)	(2.1)	(13,682)	(2.3)	(3,756)	(2.7)	(3,132)	(1.4)
Administrative expenses	(5,846)	(2.3)	(8,634)	(2.5)	(21,711)	(3.6)	(2,364)	(1.7)	(5,578)	(2.4)
Research and development expenses	(11,425)	(4.6)	(15,046)	(4.4)	(21,703)	(3.6)	(6,649)	(4.8)	(8,152)	(3.6)
Listing expenses	—	—	—	—	(12,287)	(2.1)	—	—	(1,992)	(0.9)
Finance costs	(1,056)	(0.3)	(1,920)	(0.7)	(2,357)	(0.4)	(503)	(0.4)	(552)	(0.2)
Profit before tax	<u>48,346</u>	<u>19.3</u>	<u>70,371</u>	<u>20.8</u>	<u>87,142</u>	<u>14.6</u>	<u>11,971</u>	<u>8.6</u>	<u>48,827</u>	<u>21.3</u>
Income tax expense	(6,467)	(2.6)	(10,119)	(3.0)	(15,423)	(2.6)	(2,785)	(2.0)	(10,622)	(4.6)
Profit and total comprehensive income for the year/period	<u>41,879</u>	<u>16.7</u>	<u>60,252</u>	<u>17.8</u>	<u>71,719</u>	<u>12.0</u>	<u>9,186</u>	<u>6.6</u>	<u>38,205</u>	<u>16.7</u>
Profit and total comprehensive income for the year/period attributable to:										
Owners of the Company	41,879	16.7	58,883	17.4	70,202	11.8	8,640	6.2	38,278	16.7
Non-controlling interests	—	—	1,369	0.4	1,517	0.2	546	0.4	(73)	(0.0)
	<u>41,879</u>	<u>16.7</u>	<u>60,252</u>	<u>17.8</u>	<u>71,719</u>	<u>12.0</u>	<u>9,186</u>	<u>6.6</u>	<u>38,205</u>	<u>16.7</u>

FINANCIAL INFORMATION

NON-IFRS MEASURE: ADJUSTED NET PROFIT

To supplement our consolidated financial statements presented in accordance with IFRS, we also use non-IFRS measure, namely adjusted net profit, as an additional financial measure, which is not required by or presented in accordance with IFRS. We believe that such non-IFRS measure facilitates comparisons of operating performance from period to period by eliminating potential impacts of certain items. We believe that such measure provides useful information to investors and others in understanding and evaluating our consolidated results of operations in the same manner as it helps our management. However, our presentation of adjusted net profit may not be comparable to similarly titled measures presented by other companies. The use of such non-IFRS measure has limitations as an analytical tool, and you should not consider it in isolation from, or as substitute for analysis of, our results of operations or financial conditions as reported under IFRS. Our presentation of non-IFRS measure should not be construed as an implication that our future results will be unaffected by unusual items.

We define adjusted net profit as net profit for the year adjusted by adding fair value changes on financial liabilities designated as at FVTPL, interest expense on other financial liabilities and Listing expenses. Fair value changes on financial liabilities designated as at FVTPL and interest expense on other financial liabilities are non-cash in nature. As of December 31, 2021, all of our financial liabilities designated as at FVTPL and other financial liabilities measured at amortized costs had been converted into equity. The following table sets forth the reconciliation of net profit to adjusted net profit for the periods indicated:

	Year ended December 31,			Three months ended March 31,	
	2019	2020	2021	2021	2022
	(RMB'000)	(RMB'000)	(RMB'000)	(RMB'000)	(RMB'000)
				(Unaudited)	
Reconciliation of net profit to adjusted net profit:					
Profit for the year/period	41,879	60,252	71,719	9,186	38,205
Add:					
Fair value changes on financial liabilities designated as at FVTPL.	—	1,357	21,075	8,700	—
Interest expense on other financial liabilities	—	—	515	—	—
Listing expenses.	—	—	12,287	—	1,992
Non-IFRS measure:					
Adjusted net profit (unaudited)	41,879	61,609	105,596	17,886	40,197

FINANCIAL INFORMATION

DESCRIPTION OF MAJOR COMPONENTS OF OUR RESULTS OF OPERATIONS

Revenue

During the Track Record Period, we generated revenue primarily from the provision of AR/VR marketing services and the sale of AR/VR content. The following table sets forth a breakdown of our revenue by service or product type in absolute amounts and as a percentage of our total revenue for the periods indicated:

	For the year ended December 31,						For the three months ended March 31,			
	2019		2020		2021		2021		2022	
	RMB'000	%	RMB'000	%	RMB'000	%	RMB'000	%	RMB'000	%
	(Unaudited)									
AR/VR marketing services . .	137,103	54.6	141,701	41.9	376,341	63.2	81,275	58.6	165,574	72.3
AR/VR content	45,323	18.1	114,758	33.9	161,395	27.1	42,611	30.7	53,685	23.5
AR/VR SaaS	6,514	2.6	9,238	2.7	20,588	3.5	2,101	1.5	9,522	4.2
IP	30,519	12.2	29,811	8.8	4,472	0.8	4,717	3.4	—	—
Others ^(Note)	31,483	12.5	43,090	12.7	32,494	5.4	8,045	5.8	88	0.0
Total	250,942	100.0	338,598	100.0	595,290	100.0	138,749	100.0	228,869	100.0

Note: Our other businesses comprise text message services, promotion services, technical services, artist endorsement services, and historically, games and games related business.

AR/VR marketing services

We generate revenue from our AR/VR marketing services business primarily through provision of AR/VR marketing services to our advertising customers. During the Track Record Period, our revenue mainly came from advertising customers from various industries, including gaming, entertainment, Internet, e-commerce, culture and tourism, business services, education, finance, real estate, automobiles, live-streaming and healthcare. During the Track Record Period, our revenue from the provision of AR/VR marketing services continuously increased primarily due to an increase in the number of advertising customers with respect to our AR/VR marketing services business and the number of products we promoted for our advertising customers. As we made the strategic transformation in 2017 and shifted our focus from games and games related businesses to AR/VR marketing services business, we devoted resources and built up a dedicated sales team to serve advertising customers and to proactively develop and acquire advertising customers. The number of our advertising customers increased from 19 in 2019 to 23 in 2020, and further to 24 in 2021. The number of our advertising customers also increased from 13 in the three months ended March 31, 2021 to 21 in the three months ended March 31, 2022. The number of products we promoted for our customers increased from 56 in 2019 to 57 in 2020, and further to

FINANCIAL INFORMATION

133 in 2021. The number of products we promoted for our customers also increased from 55 in the three months ended March 31, 2021 to 93 in the three months ended March 31, 2022. For further details of our revenue recognition policy, see the paragraph “— Significant Accounting Policies and Key Sources of Estimates — Revenue from contracts with customers” in this section.

The following table sets forth a breakdown of our revenue from our AR/VR marketing services business by customer industry in absolute amounts and as a percentage of our total revenue from the AR/VR marketing services business for the periods indicated:

	For the year ended December 31,						For the three months ended March 31,			
	2019		2020		2021		2021		2022	
	RMB'000	%	RMB'000	%	RMB'000	%	RMB'000	%	RMB'000	%
	(Unaudited)									
Gaming	12,650	9.2	32,900	23.2	173,112	45.9	37,922	46.7	46,952	28.4
Entertainment	7,320	5.3	7,194	5.1	31,830	8.5	4,487	5.5	27,668	16.7
Internet	30,414	22.2	53,462	37.7	76,120	20.2	22,156	27.3	38,772	23.4
Culture and tourism	14,934	10.9	13,693	9.7	33,788	9.0	6,566	8.1	25,828	15.6
E-commerce	26,591	19.4	4,854	3.4	20,907	5.6	4,106	5.0	14,777	8.9
Real estate	5,570	4.1	2,908	2.1	—	—	—	—	5,516	3.3
Automobiles	3,166	2.3	1,613	1.1	7,420	2.0	—	—	3,350	2.0
Business services	16,098	11.7	16,327	11.5	2,242	0.6	—	—	864	0.6
Healthcare	1,886	1.4	—	—	2,301	0.6	—	—	826	0.5
Finance	3,668	2.7	5,378	3.8	16,091	4.3	1,785	2.2	517	0.3
Live-streaming	—	—	2,632	1.9	4,224	1.1	1	0.0	504	0.3
Education	14,806	10.8	740	0.5	8,306	2.2	4,252	5.2	—	—
Total	137,103	100.0	141,701	100.0	376,341	100.0	81,275	100.0	165,574	100.0

AR/VR content

We generate revenue from our AR/VR content business primarily through offering customized content to customers. During the Track Record Period, our revenue from the AR/VR content business increased primarily due to the expansion of our customer base and the increase in the number of AR/VR content projects we carried out. During the Track Record Period, we provided AR/VR content to customers from various industries, including entertainment, gaming, education, culture and tourism, technology, healthcare and automobiles. The number of customers of our AR/VR content business increased from 10 in 2019 to 21 in 2020, and further to 46 in 2021. The number of customers of our AR/VR content business also increased from 11 in the three months ended March 31, 2021 to 15 in the three months ended March 31, 2022. The number of AR/VR content projects we carried out increased from 35 in 2019 to 41 in 2020, and further to 95 in 2021, and also increased from 22 in the three months ended March 31, 2021 to 30 in the three months

FINANCIAL INFORMATION

ended March 31, 2022. For further details on our revenue recognition policy, see the paragraph headed “— Significant Accounting Policies and Key Sources of Estimates — Revenue from contracts with customers” in this section.

The following table sets forth a breakdown of our revenue from our AR/VR content business by customer industry in absolute amounts and as a percentage of our total revenue from the AR/VR content business for the periods indicated:

	For the year ended December 31,						For the three months ended March 31,			
	2019		2020		2021		2021		2022	
	RMB'000	%	RMB'000	%	RMB'000	%	RMB'000	%	RMB'000	%
	(Unaudited)									
Entertainment.	9,434	20.8	48,113	42.0	66,751	41.4	23,519	55.2	16,828	31.4
Gaming	5,660	12.5	12,538	10.9	58,876	36.4	6,792	15.9	16,266	30.3
Education	12,349	27.3	33,165	28.9	24,151	15.0	6,651	15.6	12,152	22.6
Technology.	5,557	12.2	1,962	1.7	7,286	4.5	2,566	6.0	4,752	8.9
Automobiles	—	—	—	—	189	0.1	189	0.5	2,597	4.8
Culture and tourism.	12,323	27.2	13,555	11.8	4,081	2.5	2,894	6.8	1,090	2.0
Healthcare	—	—	5,425	4.7	61	0.1	—	—	—	—
Total.	45,323	100.0	114,758	100.0	161,395	100.0	42,611	100.0	53,685	100.0

The number of industry we covered for our AR/VR content business steadily increased from five in 2019 to six in 2020, and further to seven in 2021. Our revenue from the entertainment and gaming industries increased significantly from RMB15.1 million in 2019 to RMB60.7 million in 2020, and further increased to RMB125.6 million in 2021, and increased from RMB30.3 million in the three months ended March 31, 2021 to RMB33.1 million in the three months ended March 31, 2022, mainly because our major customer from the entertainment and gaming industries increased spending with us.

AR/VR SaaS

We generate revenue from our AR/VR SaaS business primarily through the provision of customized AR/VR SaaS products and customers’ subscriptions to our standardized AR/VR SaaS services. We introduced our AR/VR SaaS platform in 2017. Before 2019, we offered AR/VR SaaS services for free to support traffic for our AR/VR marketing services as our AR/VR SaaS platform provides tools for media platforms and their agents. We started to charge fees in 2019 and gradually focused on our AR/VR SaaS business in 2020, which resulted in a significant growth in revenue from AR/VR SaaS business. Our revenue from the AR/VR SaaS business increased from RMB6.5 million in 2019 to RMB9.2 million in 2020, and further to RMB20.6 million in 2021, and

FINANCIAL INFORMATION

also increased from RMB2.1 million in the three months ended March 31, 2021 to RMB9.5 million in the three months ended March 31, 2022. During the Track Record Period, our revenue from our AR/VR SaaS business increased primarily due to (i) an increase in the number of customized AR/VR SaaS projects we carried out, (ii) an increase in the price range of the customized AR/VR SaaS projects, and (iii) an increase in the number of customers who subscribed to our standardized AR/VR SaaS services. The number of customized projects we carried out increased from 204 in 2019 to 554 in 2020. While the number of customized projects we carried out decreased from 554 in 2020 to 142 in 2021, we generally charged higher prices for our customized AR/VR SaaS projects in 2021 compared to 2020. The number of customized projects we carried out increased from 33 in the three months ended March 31, 2021 to 77 in the three months ended March 31, 2022. The number of registered users of our AR/VR SaaS platform increased from 1,828 as of December 31, 2019 to over 14,000 as of March 31, 2022. The number of subscribed paying users of our AR/VR SaaS platform increased from nil as of December 31, 2019 to over 2,200 as of March 31, 2022. For further details on our revenue recognition policy, see the paragraph headed “— Significant Accounting Policies and Key Sources of Estimates — Revenue from contracts with customers” in this section.

IP

We generate revenue from our IP business primarily through licensing out IPs we purchased from third parties. Our revenue from IP business fluctuated with the number of IPs we licensed out during the Track Record Period. Our revenue from IP business decreased slightly from RMB30.5 million in 2019 to RMB29.8 million in 2020, and further decreased to RMB4.5 million in 2021, primarily as we shifted our business focus mainly to use IPs to support our AR/VR businesses going forward rather than licensing out IPs. We generated nil revenue from IP business in the three months ended March 31, 2022. For further details on our revenue recognition policy, see the paragraph headed “— Significant Accounting Policies and Key Sources of Estimates — Revenue from contracts with customers” in this section.

FINANCIAL INFORMATION

Others

During the Track Record Period, our revenue from our other businesses were from games and games related business, technical services, promotion services, text message services and artist endorsement services. The following table sets forth a breakdown of our revenue from our other businesses in absolute amounts and as a percentage of our total revenue from our other businesses for the periods indicated:

	For the year ended December 31,						For the three months ended March 31,			
	2019		2020		2021		2021		2022	
	RMB'000	%	RMB'000	%	RMB'000	%	RMB'000	%	RMB'000	%
	(Unaudited)									
Games and games related business ^(Note)	9,038	28.7	—	—	—	—	—	—	—	—
Technical services.	14,686	46.7	5,210	12.1	640	2.0	267	3.3	—	—
Promotion services	7,759	24.6	25,613	59.4	6,066	18.6	2,615	32.5	—	—
Text message services	—	—	10,384	24.1	25,788	79.4	5,163	64.2	88	100.0
Artist endorsement services	—	—	1,883	4.4	—	—	—	—	—	—
Total	31,483	100.0	43,090	100.0	32,494	100.0	8,045	100.0	88	100.0

Note: The winding-down of our games and games related business in 2019 did not constitute discontinued operations as according to IFRS 5, a “discontinued operation” is defined as a component of an entity that either has been disposed of or is classified as held for sale and:

- a. represents a separate major line of business or geographical area of operations;
- b. is part of a single coordinated plan to dispose of a separate major line of business or geographical area of operations; or
- c. is a subsidiary acquired exclusively with a view to resale.

When assessing whether a component of an entity represents a separate major line of business, a company should consider its contribution in the financial year of completion of winding down. We completed the winding-down of our games and games-related business in 2019. For the year ended December 31, 2019, the revenue and net profit of the games and games related business were RMB9.0 million and RMB4.1 million, respectively, representing 3.6% and 9.8% of our revenue and net profit. Hence, according to IFRS 5, our games and games related business does not represent a separate major line of business or geographical area of operations of our Group and should not be presented as discontinued operation in accordance with IFRS 5.

Furthermore, according to IFRS 5, to meet the definition of a discontinued operation under IFRS 5, our games and games-related business must be “a component of our Group”. A “component of an entity” is defined under IFRS 5:31 as operations and cash flows that can be clearly distinguished operationally and for financial reporting purposes, from the rest of the entity.

FINANCIAL INFORMATION

The assets (including IPs and staff) of our Group used to be shared by our games and games-related business with our AR/VR content and AR/VR marketing services businesses. Hence, our management considered that the operations (including the staff and assets) and cash flows of our games and games-related business cannot be clearly distinguished operationally and for financial reporting purposes from the rest of our Group.

Our revenue from other businesses amounted to RMB31.5 million in 2019, primarily from our technical services, games and games related services and promotion services. Our revenue from other businesses amounted to RMB43.1 million in 2020, primarily from our promotion services, text message services and technical services. Promotion services and text message services are non-AR/VR related marketing services provided by us. Our revenue from other businesses amounted to RMB32.5 million in 2021, primarily from our text message services and promotion services. Our revenue from other businesses amounted to RMB88,000 in the three months ended March 31, 2022, all of which was from our text message services. For further details on our revenue recognition policy, see the paragraph headed “— Significant Accounting Policies and Key Sources of Estimates — Revenue from contracts with customers” in this section.

Cost of Revenue

Our cost of revenue primarily consists of (i) traffic acquisition costs for AR/VR marketing services, promotion services and text message services, which mainly represent costs we pay to media platforms or their agents to purchase advertising traffic in connection with our AR/VR marketing services, (ii) subcontracting and development costs, which mainly represent outsourced service costs to our third party service providers in connection with the design of arts elements including animations, special effects and illustrations in our AR/VR interactive content and AR/VR SaaS products, our games and games related business, and the provision of certain non-core technical support, (iii) use of materials costs, which represent the costs of PGC video materials in connection with our AR/VR content business, and (iv) IP acquisition costs relating to our IP business.

FINANCIAL INFORMATION

The following table sets forth a breakdown of our cost of revenue by nature in absolute amounts and as a percentage of our total cost of revenue for the periods indicated:

	For the year ended December 31,						For the three months ended March 31,			
	2019		2020		2021		2021		2022	
	RMB'000	%	RMB'000	%	RMB'000	%	RMB'000	%	RMB'000	%
							(Unaudited)			
Traffic acquisition costs . . .	115,259	65.6	138,362	59.2	311,497	74.2	69,042	68.0	126,732	81.5
Subcontracting and development costs	21,319	12.1	22,586	9.7	36,878	8.8	8,368	8.2	14,632	9.4
Use of materials costs	7,547	4.3	36,792	15.7	44,481	10.6	14,995	14.8	5,491	3.5
IP acquisition costs	24,330	13.9	24,066	10.3	4,302	1.0	4,302	4.2	—	—
Amortization of intangible assets	4,484	2.6	5,724	2.4	10,560	2.5	2,439	2.4	3,671	2.4
Staff costs	1,813	1.0	2,359	1.0	5,488	1.3	1,383	1.4	2,294	1.5
Others ^(Note)	865	0.5	4,005	1.7	6,568	1.6	934	1.0	2,766	1.7
Total	175,617	100.0	233,894	100.0	419,774	100.0	101,463	100.0	155,586	100.0

Note: Other cost of revenue comprises rent of servers and sales commissions to agents in relation to our AR/VR SaaS business.

During the Track Record Period, the largest component of our cost of revenue was traffic acquisition costs, representing 65.6%, 59.2%, 74.2% and 81.5% of our total cost of revenue in 2019, 2020 and 2021, and the three months ended March 31, 2022, respectively. Our traffic acquisition costs increased from RMB115.3 million in 2019 to RMB138.4 million in 2020, and further increased to RMB311.5 million in 2021, and increased from RMB69.0 million in the three months ended March 31, 2021 to RMB126.7 million in the three months ended March 31, 2022, primarily driven by the growth of our AR/VR marketing services business, as well as the increased traffic acquisition costs in the market. Our traffic acquisition costs are generally in line with the fluctuations of our revenue. Our revenue from the first quarter of each calendar year is generally affected by the closure of businesses at the beginning of the calendar year in which the Chinese New Year holidays fall, resulting in less demand from our customers. However, the market demand for our services will be stimulated by various Chinese e-commerce sales festivals and business exhibitions after the first quarter of the year. See the paragraph headed “— Major Factors Affecting Our Results of Operations — Seasonality” in this section for more details on our seasonality. Our traffic acquisition costs amounted to RMB22.1 million (representing 19.1% of total traffic acquisition costs for 2019), RMB32.5 million (representing 23.5% of total traffic acquisition costs for 2020), RMB69.0 million (representing 22.2% of total traffic acquisition costs for 2021) and RMB126.7 million in the three months ended March 31, 2019, 2020, 2021 and 2022, respectively. We have devised the following strategies to manage our traffic acquisition activities and control our traffic acquisition costs. Before we acquire Internet traffic, we plan to carefully

FINANCIAL INFORMATION

review our business needs to confirm on a best effort basis, that the traffic we acquire will be effectively used to meet our customers' demands. In addition, we aim to diversify channels for traffic acquisition to mitigate the effect of increase in the price of traffic from a particular type of media platform.

Our subcontracting and development costs increased from RMB21.3 million in 2019 to RMB22.6 million in 2020, and further increased to RMB36.9 million in 2021, and increased from RMB8.4 million in the three months ended March 31, 2021 to RMB14.6 million in the three months ended March 31, 2022, primarily driven by the growth of our AR/VR content business. We began to incur use of materials costs in 2019 as we expanded our AR/VR content business in the entertainment industry and began to provide AR/VR content to a customer in the entertainment industry in 2019 who required substantial procurement of PGC video materials. Our use of materials costs increased from RMB7.5 million in 2019 to RMB36.8 million in 2020, and further increased to RMB44.5 million in 2021, primarily due to our growing AR/VR content business in the entertainment industry and the increasing demand from our customers. Our use of materials costs decreased from RMB15.0 million in the three months ended March 31, 2021 to RMB5.5 million in the three months ended March 31, 2022, primarily due to the decrease in the customer demand for PGC video materials.

The following table sets forth a breakdown of our cost of revenue for our AR/VR marketing services business by industry in absolute amounts and as a percentage of our total cost of revenue for the AR/VR marketing services business for the periods indicated:

	For the year ended December 31,						For the three months ended March 31,			
	2019		2020		2021		2021		2022	
	RMB '000	%	RMB '000	%	RMB '000	%	RMB '000	%	RMB '000	%
Gaming	9,383	8.7	27,632	24.1	135,786	46.1	30,108	46.7	36,124	28.4
Entertainment.	5,238	4.8	5,823	5.1	25,080	8.5	3,614	5.6	21,539	16.9
Internet	24,457	22.6	42,435	37.2	59,866	20.3	17,713	27.4	29,855	23.4
Culture and tourism.	12,162	11.3	10,818	9.5	26,098	8.9	5,123	7.9	19,711	15.5
E-commerce	21,116	19.5	3,687	3.2	16,336	5.5	3,244	5.0	11,388	8.9
Real Estate.	4,486	4.2	2,274	2.0	—	—	—	—	4,197	3.3
Automobiles	2,550	2.4	1,370	1.2	5,762	2.0	—	—	2,597	2.0
Business services	13,094	12.1	12,980	11.4	1,755	0.6	—	—	667	0.5
Healthcare	1,305	1.2	—	—	1,800	0.6	—	—	648	0.5
Finance	1,818	1.7	4,362	3.8	12,554	4.2	1,416	2.2	401	0.3
Live-streaming	—	—	2,204	1.9	3,260	1.1	0	0.0	392	0.3
Education	12,450	11.5	626	0.6	6,511	2.2	3,328	5.2	—	—
Total.	108,059	100.0	114,211	100.0	294,808	100.0	64,546	100.0	127,519	100.0

FINANCIAL INFORMATION

The following table sets forth a breakdown of our cost of revenue for our AR/VR content business by industry in absolute amounts and as a percentage of our total cost of revenue for the AR/VR content business for the periods indicated:

	For the year ended December 31,						For the three months ended March 31,			
	2019		2020		2021		2021		2022	
	RMB'000	%	RMB'000	%	RMB'000	%	RMB'000	%	RMB'000	%
	(Unaudited)									
Entertainment	7,757	32.8	36,842	60.8	48,767	56.1	17,402	68.4	5,863	24.4
Gaming	2,857	12.1	5,650	9.3	23,014	26.5	3,068	12.1	8,974	37.4
Education	5,787	24.5	9,277	15.3	9,916	11.4	2,615	10.3	5,403	22.5
Technology	1,845	7.8	610	1.0	3,494	4.0	1,088	4.2	2,691	11.2
Automobiles	—	—	—	—	9	0.0	10	0.0	1,003	4.2
Culture and tourism	5,387	22.8	5,209	8.6	1,650	1.9	1,261	5.0	59	0.3
Healthcare	—	—	3,008	5.0	11	0.1	—	—	—	—
Total	23,633	100.0	60,596	100.0	86,861	100.0	25,444	100.0	23,993	100.0

The fluctuations in our cost of revenue for our AR/VR content business in different industries are driven by the fluctuations in our revenue for our AR/VR content business in different industries. Our cost of revenue for our AR/VR content business in the entertainment and gaming industries increased from RMB10.6 million in 2019 to RMB42.5 million in 2020, and further increased to RMB71.8 million in 2021, primarily due to the increase in our revenue from the entertainment and gaming industries.

Gross Profit and Gross Margin

The following table sets forth a breakdown of our gross profit by service or product type in absolute amounts and as a percentage of revenue, or gross margins, for the periods indicated:

	For the year ended December 31,						For the three months ended March 31,			
	2019		2020		2021		2021		2022	
	Gross Margin		Gross Margin		Gross Margin		Gross Margin		Gross Margin	
	RMB'000	(%)	RMB'000	(%)	RMB'000	(%)	RMB'000	(%)	RMB'000	(%)
	(Unaudited)									
AR/VR marketing services . .	29,044	21.2	27,490	19.4	81,533	21.7	16,729	20.6	38,055	23.0
AR/VR content	21,690	47.9	54,161	47.2	74,534	46.2	17,167	40.3	29,691	55.3
AR/VR SaaS	3,292	50.5	4,886	52.9	11,255	54.7	1,083	51.5	5,516	57.9
IP	6,189	20.3	5,745	19.3	170	3.8	415	8.8	—	—
Others ^(Note)	15,110	48.0	12,422	28.8	8,024	24.7	1,892	23.5	21	23.3
Total	75,325	30.0	104,704	30.9	175,516	29.5	37,286	26.9	73,283	32.0

Note: Our other businesses comprise text message services, promotion services, technical services, artist endorsement services, and historically, games and games related business.

FINANCIAL INFORMATION

During the Track Record Period, our gross profit increased primarily due to the significant increase in our revenue. Our gross margin remained relatively stable during our business expansion as the increase in our cost of revenue did not outpace our revenue growth, which was partially attributable to us maintaining operational efficiency and achieving economies of scale with respect to certain costs, such as subcontracting and development costs and use of material costs, as we were able to benefit from accumulated AR/VR interactive content modules particularly AR/VR SaaS modules, continuous enhancement of our AR/VR development engines and enhanced bargaining power against certain suppliers with our bulk purchases. The cumulative number of our AR/VR SaaS modules increased from 283 as of December 31, 2019 to 496 as of December 31, 2020 and further increased to 818 as of December 31, 2021. The cumulative number of our AR/VR SaaS modules further increased to 883 as of March 31, 2022. We improved our AR/VR development engines by adding specialized development tools including dynamic scenario editors in 2020 and developing specialized systems including a physical simulation system for AR/VR content business in 2021.

Our gross margin of AR/VR marketing services business decreased from 21.2% in 2019 to 19.4% in 2020, primarily because we carried out some AR/VR marketing services projects with lower gross margin in the first half of 2020 as, to the best knowledge, information and belief of our Directors after making reasonable enquiries, our advertising customers scaled down their budget for advertising during the outbreak of COVID-19 and we needed to reach out to a wider market for advertising customers. Our gross margin of AR/VR marketing services business increased from 19.4% in 2020 to 21.7% in 2021, primarily because we carried out some AR/VR marketing services projects with lower gross margin in the first half of 2020. Our gross margin of AR/VR marketing services business increased from 20.6% in the three months ended March 31, 2021 to 23.0% in the three months ended March 31, 2022, which our Directors believe was primarily due to our strengthened bargaining power and enhanced negotiation position against our customers as our business grew and the increase in the gross margin of our projects in the entertainment and Internet industries.

Our gross margin of AR/VR content business remained generally stable in 2019, 2020 and 2021, recording a gross margin of 47.9% in 2019, 47.2% in 2020 and 46.2% in 2021. Our gross margin of AR/VR content business increased from 40.3% in the three months ended March 31, 2021 to 55.3% in the three months ended March 31, 2022, primarily due to some AR/VR content projects for VR games for customers in the gaming industry which yielded higher gross margins.

FINANCIAL INFORMATION

Our gross margin of AR/VR SaaS business increased from 50.5% in 2019 to 52.9% in 2020, and further increased to 54.7% in 2021, and also increased from 51.5% in the three months ended March 31, 2021 to 57.9% in the three months ended March 31, 2022, primarily because we had less development needs as we gradually accumulated more AR/VR SaaS modules and we benefited from economies of scale with respect to certain costs including staff costs and costs of servers. The cumulative number of our AR/VR SaaS modules increased from 283 as of December 31, 2019 to 496 as of December 31, 2020, to 818 as of December 31, 2021, and further increased to 883 as of March 31, 2022. Our increasing number of AR/VR SaaS modules covered more industries and had more functions, which reduced our development needs when meeting new customer demands.

Our gross margin of IP business generally decreased during the Track Record Period, primarily as we have planned to mainly use IP resources to support our AR/VR business going forward and reserve quality IP rights for our own use. Our gross margin of IP business decreased from 20.3% in 2019 to 19.3% in 2020, and further decreased to 3.8% in 2021. We slowed down replenishing purchased IPs in 2021. As we were mainly licensing relatively old IPs from our inventory, some of the IP transactions we conducted in 2021 had lower gross margins. We did not generate any revenue from IP business in the three months ended March 31, 2022.

Our gross margin of other businesses decreased from 48.0% in 2019 to 28.8% in 2020, primarily as we completed the winding-down of games and games related business in 2019 and as we derived 59.4% of our other business revenue from promotion services in 2020 compared to 24.6% in 2019. The promotion services had a relatively lower gross margin compared to technical services and games and games related businesses. Our gross margin of other businesses decreased from 28.8% in 2020 to 24.7% in 2021, primarily as we derived 79.4% of our other business revenue from text message services in 2021 which had a relatively low gross margin. Our gross margin of other businesses remained relatively stable at 23.3% in the three months ended March 31, 2022 compared to 23.5% in the three months ended March 31, 2021.

FINANCIAL INFORMATION

Other Income

Our other income consists primarily of tax refund, government grants and interest income on bank deposits and one-off loans to two of our suppliers. For further details on the loans to our suppliers, see the paragraph headed “— Discussion of Certain Key Consolidated Balance Sheets Items — Loan receivables” in this section. The following table sets forth a breakdown of our other income for the periods indicated:

	For the year ended December 31,			For the three months ended March 31,	
	2019	2020	2021	2021	2022
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
				(Unaudited)	
Interest income on bank deposits and loans to third parties	124	1,382	828	22	71
Tax refund	15	4	2,133	1	524
Government grants	190	337	169	169	—
Total	<u>329</u>	<u>1,723</u>	<u>3,130</u>	<u>192</u>	<u>595</u>

Government grants provided to us mainly were one-off subsidies to high and new technology enterprises mainly in the form of interest subsidies with conditions for obtaining the grants including (i) the enterprise obtaining loans through platforms designated by the government authority and (ii) the enterprise being in line with the industrial development direction of the district and has been affected by the COVID-19 pandemic. The government grants we received fluctuated during the Track Record Period as we obtained different types of government grants which were of different amounts.

FINANCIAL INFORMATION

Other Gains and Losses

Our other gains and losses primarily consist of (i) gains from disposal of intangible assets, (ii) foreign exchange losses, and (iii) others which include miscellaneous gains and losses. Gains from disposal of intangible assets are attributable to disposal of intangible assets acquired for our own use but subsequently sold. The following table sets forth the breakdown of our other gains and losses for the periods indicated:

	For the year ended December 31,			For the three months ended March 31,	
	2019	2020	2021	2021	2022
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
				(Unaudited)	
Gains from disposal of intangible assets .	—	902	—	—	—
Foreign exchange losses	—	—	(5)	—	(20)
Others	(128)	(629)	452	(819)	—
Total gains (losses).	(128)	273	447	(819)	(20)

We recorded gains from disposal of intangible assets of RMB0.9 million in 2020 for transferring adaptation rights for novels to Customer E and an information technology company in the PRC, each an Independent Third Party.

Impairment Losses under ECL model, Net of Reversal

Our impairment losses under ECL model, net of reversal represent net impairment losses recognized or reversed in respect of trade receivables, loan receivables and other receivables. In 2019, 2020, and the three months ended March 31, 2022, we had net impairment losses recognized in respect of trade receivables, loan receivables and other receivables of RMB3.4 million, RMB2.1 million and RMB5.6 million, respectively. In 2021, we had a gain from reversal of provision of impairment of RMB0.9 million primarily due to our improved credit management which led to a decrease in our long outstanding trade receivables. Under our credit management policy, our finance team records trade receivables and sends monthly statements of trade receivables to our sales team. Our sales team is in charge of the collection of trade receivables and checks balances of outstanding trade receivables periodically with our customers by way of email confirmations. For trade receivables that are overdue for more than 60 days, a member of our sales team will follow up on the collection of the trade receivables and report the reasons for the trade receivables being overdue and the customer's payment plan to the supervisor in the sales team. The supervisor will assess and assign more personnel to assist with the collection if necessary. For trade receivables that are overdue for more than 180 days, a member of our sales team will inform the

FINANCIAL INFORMATION

supervisor and the supervisor will assist in the collection. For trade receivables that are overdue for more than one year, our sales team will negotiate with the relevant customer for a concrete payment plan. We may issue a collection notice or take further actions including bringing litigations if no concrete payment plan can be reached. In 2021, we further enhanced our trade receivables collection efforts and designated a member of our sales team to be responsible for a customer with trade receivables and linked the performance assessment of our sales team to the outcome of the collection of the trade receivables.

Distribution and Selling Expenses

Our distribution and selling expenses primarily consist of (i) staff costs, (ii) advertising and marketing expenses, (iii) travelling expenses, (iv) office expenses, and (v) others. Our staff costs include wages, bonuses and benefits for our personnel responsible for sales and marketing activities. Our distribution and selling expenses accounted for 2.2%, 2.1%, 2.3% and 1.4% of our revenue in 2019, 2020 and 2021, and the three months ended March 31, 2022, respectively.

The following table sets forth a breakdown of the major components of our distribution and selling expenses in absolute amounts and as a percentage of our total distribution and selling expenses for the periods indicated:

	For the year ended December 31,						For the three months ended March 31,			
	2019		2020		2021		2021		2022	
	RMB'000	%	RMB'000	%	RMB'000	%	RMB'000	%	RMB'000	%
	(Unaudited)									
Staff costs	1,235	22.6	3,320	45.7	9,865	72.1	1,920	51.1	2,762	88.2
Advertising and marketing expenses	3,986	73.0	3,685	50.8	3,211	23.5	1,770	47.1	—	—
Travelling expenses	93	1.7	228	3.1	520	3.8	65	1.7	33	1.1
Office expenses	9	0.2	5	0.1	28	0.2	—	—	1	0.1
Others	134	2.5	19	0.3	58	0.4	1	0.1	336	10.6
Total	5,457	100.0	7,257	100.0	13,682	100.0	3,756	100.0	3,132	100.0

Our distribution and selling expenses increased from RMB5.5 million in 2019 to RMB7.3 million in 2020, primarily due to the increase in staff costs of RMB2.1 million due to an increase in the headcounts of our sales team from 16 as of December 31, 2019 to 23 as of December 31, 2020 driven by the expansion of our business and the increase in the average compensation level. Our distribution and selling expenses further increased from RMB7.3 million in 2020 to RMB13.7 million in 2021, primarily due to the increase in staff costs of RMB6.5 million due to an increase in the headcounts of our sales team from 23 as of December 31, 2020 to 33 as of December 31,

FINANCIAL INFORMATION

2021 driven by the expansion of our business and the increase in the average compensation level. Our distribution and selling expenses decreased from RMB3.8 million in the three months ended March 31, 2021 to RMB3.1 million in the three months ended March 31, 2022, primarily due to the decrease in advertising and marketing expenses of RMB1.8 million primarily because we had less marketing need in relation to the promotion of our AR/VR SaaS platform as our AR/VR SaaS platform gradually gained market recognition, partially offset by the increase in staff costs of RMB0.8 million due to an increase in the headcounts of our sales team from 27 as of March 31, 2021 to 38 as of March 31, 2022, driven by the expansion of our business and the increase in the average compensation level.

Administrative Expenses

Our administrative expenses primarily consist of (i) staff costs which include wages, bonuses and benefits for our administrative personnel, (ii) rental and property management expenses, and (iii) professional service fees in relation to our financing activities which were not related to the Listing, among others. Our administrative expenses accounted for 2.3%, 2.5%, 3.6% and 2.4% of our revenue in 2019, 2020 and 2021, and the three months ended March 31, 2022, respectively.

The following table sets forth a breakdown of the major components of our administrative expenses in absolute amounts and as a percentage of our total administrative expenses for the periods indicated:

	For the year ended December 31,						For the three months ended March 31,			
	2019		2020		2021		2021		2022	
	RMB'000	%	RMB'000	%	RMB'000	%	RMB'000	%	RMB'000	%
	(Unaudited)									
Staff costs	2,959	50.6	3,031	35.1	6,768	31.2	1,404	59.4	2,321	41.6
Rental and property										
management expenses . . .	1,148	19.6	1,581	18.3	3,992	18.4	466	19.7	1,338	24.0
Professional service fees . . .	594	10.2	2,574	29.8	6,681	30.8	18	0.8	405	7.3
Office expenses	234	4.0	280	3.2	906	4.2	176	7.4	299	5.4
Travelling expenses	143	2.4	356	4.1	692	3.2	75	3.2	196	3.5
Others	768	13.2	812	9.5	2,672	12.2	225	9.5	1,019	18.2
Total	5,846	100.0	8,634	100.0	21,711	100.0	2,364	100.0	5,578	100.0

Our administrative expenses increased from RMB5.8 million in 2019 to RMB8.6 million in 2020, primarily due to (i) the increase in our professional service fees in relation to our financing activities which were not related to the Listing, and (ii) the increase in our rental and property management expenses as we rented more office space due to business expansion. Our

FINANCIAL INFORMATION

administrative expenses further increased from RMB8.6 million in 2020 to RMB21.7 million in 2021, primarily due to (i) the increase in our professional service fees in relation to our financing activities which were not related to the Listing, (ii) the increase in the staff costs of our administrative personnel in line with our business expansion and the increase in the average compensation level of our administrative personnel, and (iii) the increase in our rental and property management expenses as we rented more office space due to business expansion. Our administrative expenses increased from RMB2.4 million in the three months ended March 31, 2021 to RMB5.6 million in the three months ended March 31, 2022, primarily due to (i) the increase in the staff costs of our administrative personnel in line with our business expansion and the increase in the average compensation level of our administrative personnel, (ii) the increase in our rental and property management expenses as we rented more office space due to business expansion, and (iii) the increase in our professional service fees which were not related to the Listing.

We incurred RMB0.6 million, RMB2.6 million, RMB6.7 million and RMB0.4 million of professional service fees in 2019, 2020 and 2021, and the three months ended March 31, 2022, respectively, all of which had been fully settled as of the Latest Practicable Date. During the Track Record Period, professional parties we engaged primarily included the followings: (i) in the three months ended March 31, 2022, we incurred (a) RMB0.1 million to an accounting firm in relation to tax advice, and (b) RMB75,000 to a law firm in relation to regular legal advice; (ii) in 2021, we incurred (a) RMB4.1 million to financial advisors and business consulting firms in relation to financing advice and services including pre-IPO investment, (b) RMB1.2 million to accounting firms in relation to special audit and financial review services, and (c) RMB0.4 million to law firms for regular legal advice and trademark registration services; (iii) in 2020, we incurred (a) RMB1.6 million to financial advisors in relation to financing advice and services including pre-IPO investment, (b) RMB0.8 million to accounting firms in relation to special audit services, and (c) RMB80,000 to a law firm for regular legal advice; (iv) in 2019, we incurred (a) RMB0.2 million to accounting firms in relation to special audit services, (b) RMB0.1 million to a law firm in relation to regular legal advice, and (c) RMB94,000 to a securities firm for advisory services for our de-listing from the NEEQ. Our professional service fees increased from RMB0.6 million in 2019 to RMB2.6 million in 2020 and further increased to RMB6.7 million in 2021, and increased from RMB18,000 in the three months ended March 31, 2021 to RMB0.4 million in the three months ended March 31, 2022, mainly because we required more professional services which were not related to the Listing. To the best knowledge, information and belief of our Directors after having made all reasonable enquiries, each of the professional parties we engaged has no other past or present relationships (including business, family, employment, financing or otherwise) with our Group, our Shareholders, our Directors or senior management, or any of their respective associates, save for acting in the capacity under the relevant professional service agreement with us.

FINANCIAL INFORMATION

Research and Development Expenses

Our research and development expenses during the Track Record Period primarily consisted of (i) staff costs of our R&D personnel and (ii) outsourced R&D expenses mainly in relation to outsourced interactive content modules, the accounting system for our AR/VR SaaS platform and our office automation system. In order to maintain our strength in R&D capabilities, we have been committed to invest in R&D activities and have increased our research and development expenses during the Track Record Period. In 2019, 2020 and 2021, and the three months ended March 31, 2022, our research and development expenses amounted to RMB11.4 million, RMB15.0 million, RMB21.7 million and RMB8.2 million, respectively. Our outsourced R&D expenses increased from RMB8.9 million in 2019 to RMB10.6 million in 2020, and further to RMB15.7 million in 2021. Our outsourced R&D expenses increased from RMB5.7 million in the three months ended March 31, 2021 to RMB6.2 million in the three months ended March 31, 2022. Staff costs of our R&D personnel increased from RMB2.5 million in 2019 to RMB4.3 million in 2020, and further to RMB5.4 million in 2021. Staff costs of our R&D personnel increased from RMB0.9 million in the three months ended March 31, 2021 to RMB1.9 million in the three months ended March 31, 2022. As of December 31, 2019, 2020 and 2021 and March 31, 2022, our R&D team consisted of 18, 39, 46 and 50 personnel, respectively. We did not capitalize any research and development expenditures during the Track Record Period.

Fair Value Changes on Financial Liabilities Designated as at FVTPL

Our fair value changes on financial liabilities designated as at FVTPL represent changes in fair value of the shares with preferred rights and preferred shares issued by Ophyer Technology to certain Pre-IPO Investors in 2020 and 2021. We designated the shares with preferred rights and preferred shares as financial liabilities at fair value through profit or loss. They were initially recognized at fair value. Any directly attributable transaction costs were recognized as finance costs in profit or loss. For further details, see Note 26 in the Accountants' Report in Appendix I to this prospectus. Our fair value changes of shares with preferred rights and preferred shares were a loss of RMB1.4 million and RMB21.1 million in 2020 and 2021, respectively. Prior to the Global Offering, the shares with preferred rights and preferred shares are not traded in an active market and their value at respective reporting dates is determined using valuation techniques.

Finance Costs

Our finance costs primarily include interest expenses on bank borrowings and lease liabilities. Our finance costs amounted to RMB1.1 million, RMB1.9 million, RMB2.4 million and RMB0.6 million in 2019, 2020 and 2021, and the three months ended March 31, 2022,

FINANCIAL INFORMATION

respectively. The increase in finance costs during the Track Record Period was primarily due to (i) the increase in our bank borrowings, driven by our business expansion, and (ii) the new lease of our office in Beijing in 2021.

Income Tax Expense

We are subject to income tax on an entity basis on profits arising in or derived from tax jurisdictions in which our members are domiciled and operate. Under the current laws of the Cayman Islands, we are not subject to tax on income or capital gains.

We did not have any assessable income subject to Hong Kong profits tax during the Track Record Period. Therefore, no provision for Hong Kong profits tax was made.

Our income taxation in respect of operations in the PRC has been calculated at the applicable tax rate on the estimated assessable profits for the year, based on the existing legislation, interpretations and practices in respect thereof. We are subject to a general PRC EIT rate of 25%. However, Ophyer Technology was qualified as a high and new technology enterprise (“HTNE”) and enjoyed a lower income tax rate of 15% during 2019, 2020 and 2021. Two of our PRC subsidiaries, Shixin Network in Horgos and Kashi Fanxing in Kashi, were exempted from income tax from their respective dates of establishment to December 31, 2020. In addition, certain of our PRC subsidiaries have been approved as small low-profit enterprises and were subject to a preferential income tax rate of 5% or 10% during the Track Record Period. Our deferred income tax refers to the temporary differences arising between the tax bases of our assets and liabilities and their carrying amounts in our historical financial information. Deferred income tax is determined using tax rates (and according to relevant laws) that have been enacted or substantially enacted by the end of the reporting period and are expected to apply when the related deferred income tax asset is realized or the deferred income tax liability is settled. During the Track Record Period, our deferred income tax assets primarily consisted of the deductible temporary difference arising between the tax base and carrying amounts of our impairment losses on receivables. For further details, see Note 12 in the Accountants’ Report in Appendix I to this prospectus. For 2019, 2020 and 2021, and the three months ended March 31, 2022, our effective tax rates were 13.4%, 14.4%, 17.7% and 21.8%, respectively. Our effective tax rate was relatively high in 2021 because we could not take full advantage of our preferential tax rate, particularly because fair value changes on financial liabilities designated as at FVTPL was non-tax deductible. Our effective tax rate was high in the three months ended March 31, 2022 mainly as a result of our Reorganization under which Ophyer Technology transferred certain contracts to Beijing Flowing Cloud and may no longer meet HTNE requirements for preferential tax rate. As of the Latest Practicable Date, we did not have any disputes with any tax authorities.

FINANCIAL INFORMATION

The following table sets forth a breakdown of the major components of our income tax expense in absolute amounts and as a percentage of our total income tax expense for the periods indicated:

	For the year ended December 31,						For the three months ended March 31,			
	2019		2020		2021		2021		2022	
	RMB'000	%	RMB'000	%	RMB'000	%	RMB'000	%	RMB'000	%
	(Unaudited)									
Income Tax Expense										
Current enterprise income										
tax	6,887	106.5	10,379	102.6	15,667	101.6	3,187	114.4	12,460	117.3
Deferred tax	(420)	(6.5)	(260)	(2.6)	(244)	(1.6)	(402)	(14.4)	(1,838)	(17.3)
Total	6,467	100.0	10,119	100.0	15,423	100.0	2,785	100.0	10,622	100.0

PERIOD-TO-PERIOD COMPARISON OF RESULTS OF OPERATIONS

Three Months Ended March 31, 2022 Compared to Three Months Ended March 31, 2021

Revenue

Our revenue increased by 65.0% from RMB138.7 million in the three months ended March 31, 2021 to RMB228.9 million in the three months ended March 31, 2022, mainly attributable to the increase in our revenue generated from our AR/VR marketing services and AR/VR content businesses. The overall growth of our revenue was driven by our business expansion as a result of AR/VR gaining popularity.

AR/VR marketing services

Revenue from our AR/VR marketing services business increased by 103.7% from RMB81.3 million in the three months ended March 31, 2021 to RMB165.6 million in the three months ended March 31, 2022, primarily due to an increase in the number of advertising customers with respect to our AR/VR marketing services business, the number of advertising products we promoted, and the average spending per advertising customer, driven by our continued business focus on AR/VR marketing services. The number of our advertising customers increased from 13 in the three months ended March 31, 2021 to 21 in the three months ended March 31, 2022. The average spending per advertising customer increased from RMB6.3 million in the three months ended March 31, 2021 to RMB7.9 million in the three months ended March 31, 2022 mainly due to the increasing demand of our existing and new customers as the average number of advertising products we promoted for each customer increased and the average promotional duration of

FINANCIAL INFORMATION

advertising products we promoted increased. The number of advertising products we promoted for our advertising customers increased from 55 in the three months ended March 31, 2021 to 93 in the three months ended March 31, 2022 driven by the increasing demand of our customers due to our continuous enhancement of AR/VR marketing services, as well as an increase in our advertising products from the entertainment and Internet industries in the three months ended March 31, 2022 driven by the growing market demands.

AR/VR content

Revenue from our AR/VR content business increased by 26.0% from RMB42.6 million in the three months ended March 31, 2021 to RMB53.7 million in the three months ended March 31, 2022, primarily due to an increase in the number of customers and an increase in the number of AR/VR content projects we carried out. Our number of customers with respect to AR/VR content business increased from 11 in the three months ended March 31, 2021 to 15 in the three months ended March 31, 2022. The number of AR/VR content projects we carried out increased from 22 in the three months ended March 31, 2021 to 30 in the three months ended March 31, 2022 driven by the demand for AR/VR products for different scenarios including VR games, virtual meetings and online exhibitions.

AR/VR SaaS

Revenue from our AR/VR SaaS business increased by 353.2% from RMB2.1 million in the three months ended March 31, 2021 to RMB9.5 million in the three months ended March 31, 2022, primarily because we were able to charge a higher price range of customized AR/VR SaaS projects in the three months ended March 31, 2022 as compared to the three months ended March 31, 2021, as well as an increase of over 1,900 subscribed paying users of our AR/VR SaaS platform as of March 31, 2022 as compared to March 31, 2021. The cumulative number of our AR/VR SaaS modules increased from 818 as of December 31, 2021 to 883 as of March 31, 2022.

IP

Our revenue from IP business decreased from RMB4.7 million in the three months ended March 31, 2021 to nil in the three months ended March 31, 2022, primarily due to our continuous shift of business focus to mainly use IPs to support our AR/VR businesses going forward rather than licensing out IPs.

FINANCIAL INFORMATION

Others

Revenue from our other businesses decreased by 98.9% from RMB8.0 million in the three months ended March 31, 2021 to RMB88,000 in the three months ended March 31, 2022, primarily due to the decrease in our revenue from promotion services from RMB2.6 million in the three months ended March 31, 2021 to nil in the three months ended March 31, 2022 and the decrease in our revenue from text message services from RMB5.2 million in the three months ended March 31, 2021 to RMB88,000 in the three months ended March 31, 2022 as we placed less business focus on non-AR/VR services and mainly placed our attention on AR/VR businesses.

Cost of Revenue

Our cost of revenue increased by 53.3% from RMB101.5 million in the three months ended March 31, 2021 to RMB155.6 million in the three months ended March 31, 2022. This increase was primarily driven by the increase in the traffic acquisition costs in relation to our AR/VR marketing services business, and the subcontracting and development costs in relation to our AR/VR content business, in line with the growth of our AR/VR marketing services and AR/VR content businesses.

Our traffic acquisition costs in relation to our AR/VR marketing services and text message services businesses increased by 83.6% from RMB69.0 million in the three months ended March 31, 2021 to RMB126.7 million in the three months ended March 31, 2022, primarily due to the growth of our AR/VR marketing services business. Our subcontracting and development costs increased by 74.9% from RMB8.4 million in the three months ended March 31, 2021 to RMB14.6 million in the three months ended March 31, 2022, primarily due to the expansion of our AR/VR content business.

Gross Profit and Gross Margin

Our overall gross profit increased by 96.5% from RMB37.3 million in the three months ended March 31, 2021 to RMB73.3 million in the three months ended March 31, 2022, primarily driven by the increase in our revenue.

Our overall gross margin increased from 26.9% in the three months ended March 31, 2021 to 32.0% in the three months ended March 31, 2022, mainly because gross margins of our AR/VR marketing services and AR/VR content businesses increased.

Our gross margin of AR/VR marketing services business increased from 20.6% in the three months ended March 31, 2021 to 23.0% in the three months ended March 31, 2022, which our Directors believe was primarily because of our strengthened bargaining power and enhanced

FINANCIAL INFORMATION

negotiation position against our customers as our business grew and the increase in the gross margin of our projects in the entertainment and Internet industries. Our gross margin of AR/VR content business increased from 40.3% in the three months ended March 31, 2021 to 55.3% in the three months ended March 31, 2022, primarily due to some AR/VR content projects for VR games for customers in the entertainment industry which yielded higher gross margins. Our gross margin of AR/VR SaaS business increased from 51.5% in the three months ended March 31, 2021 to 57.9% in the three months ended March 31, 2022, primarily because we had less development needs as we gradually accumulated more AR/VR SaaS modules and we benefited from economies of scale with respect to certain costs including staff costs and costs of servers. The cumulative number of our AR/VR SaaS modules increased from 818 as of December 31, 2021 to 883 as of March 31, 2022. Our gross margin of other businesses remained relatively stable at 23.3% in the three months ended March 31, 2022 compared to 23.5% in the three months ended March 31, 2021.

Other Income

Our other income increased by 209.9% from RMB0.2 million in the three months ended March 31, 2021 to RMB0.6 million in the three months ended March 31, 2022, primarily as a result of the increase in tax refund due to favorable tax policies.

Other Gains and Losses

Our other net losses decreased by 97.6% from RMB0.8 million in the three months ended March 31, 2021 to RMB20,000 in the three months ended March 31, 2022, primarily due to the decrease in other losses.

Impairment Losses under ECL model, Net of Reversal

Our impairment losses under ECL model, net of reversal increased by 107.1% from RMB2.7 million in the three months ended March 31, 2021 to RMB5.6 million in the three months ended March 31, 2022, primarily attributable to the increase in our trade receivables in line with our business expansion.

Distribution and Selling Expenses

Our distribution and selling expenses decreased by 16.6% from RMB3.8 million in the three months ended March 31, 2021 to RMB3.1 million in the three months ended March 31, 2022, primarily attributable to the decrease in advertising and marketing expenses of RMB1.8 million because we had less marketing need to promote AR/VR SaaS platform as our AR/VR SaaS platform gradually gained market recognition, partially offset by the increase in staff costs of

FINANCIAL INFORMATION

RMB0.8 million due to an increase in the headcounts of our sales team from 27 as of March 31, 2021 to 38 as of March 31, 2022 driven by the expansion of our business and the increase in the average compensation level.

Administrative Expenses

Our administrative expenses increased by 136.0% from RMB2.4 million in the three months ended March 31, 2021 to RMB5.6 million in the three months ended March 31, 2022, primarily due to (i) the increase in the staff costs of our administrative personnel in line with our business expansion and the increase in the average compensation level of our administrative personnel, (ii) the increase in our rental and property management expenses as we rented more office space due to business expansion, and (iii) the increase in our professional service fees which were not related to the Listing.

Research and Development Expenses

Our research and development expenses increased by 22.6% from RMB6.6 million in the three months ended March 31, 2021 to RMB8.2 million in the three months ended March 31, 2022, primarily due to the increase of RMB1.0 million in the staff costs of our research and development personnel in relation to our enhancement effort on our AR/VR development engines and our AR/VR SaaS platform. Our research and development personnel increased from 42 as of March 31, 2021 to 50 as of March 31, 2022.

Listing expenses

We incurred Listing expenses of RMB2.0 million in the three months ended March 31, 2022 in relation to the Global Offering.

Fair Value Changes on Financial Liabilities Designated as at FVTPL

Our loss from fair value changes on financial liabilities designated as at FVTPL was RMB8.7 million in the three months ended March 31, 2021 representing changes in fair value of the shares with preferred rights issued by Ophyer Technology in the three months ended March 31, 2021. We did not have such losses in the three months ended March 31, 2022 because as of December 31, 2021, all of our financial liabilities designated as at FVTPL had been converted into equity.

FINANCIAL INFORMATION

Finance Costs

Our finance costs increased by 9.7% from RMB0.5 million in the three months ended March 31, 2021 to RMB0.6 million in the three months ended March 31, 2022, primarily due to the increase in the interest expenses on other financial liabilities and our lease liabilities as a result of our lease of new office premises.

Income Tax Expense

Our income tax expense increased by 281.4% from RMB2.8 million in the three months ended March 31, 2021 to RMB10.6 million in the three months ended March 31, 2022, primarily due to the increase in our taxable income.

Profit for the Year and Net Profit Margin

As a result of the foregoing, we recorded a profit of RMB9.2 million in the three months ended March 31, 2021, compared to a profit of RMB38.2 million in the three months ended March 31, 2022. Our net profit margin increased from 6.6% in the three months ended March 31, 2021 to 16.7% in the three months ended March 31, 2022 mainly due to our improved gross profit margin in the three months ended March 31, 2022, and the effect of fair value changes on financial liabilities designated as at FVTPL in the three months ended March 31, 2021.

Year Ended December 31, 2021 Compared to Year Ended December 31, 2020

Revenue

Our revenue increased by 75.8% from RMB338.6 million in 2020 to RMB595.3 million in 2021, mainly attributable to the increase in our revenue generated from our AR/VR marketing services and AR/VR content businesses. The overall growth of our revenue was driven by our business expansion as a result of the recovery of the economy due to further easing of the impact of COVID-19 and as a result of AR/VR gaining popularity.

AR/VR marketing services

Revenue from our AR/VR marketing services business increased by 165.6% from RMB141.7 million in 2020 to RMB376.3 million in 2021, primarily due to an increase in the number of advertising customers with respect to our AR/VR marketing services business, the number of advertising products we promoted, and the average spending per advertising customer, driven by our continued business focus on AR/VR marketing services and the further easing of the impact of COVID-19. The number of our advertising customers slightly increased from 23 in 2020 to 24 in

FINANCIAL INFORMATION

2021. The average spending per advertising customer increased from RMB6.2 million in 2020 to RMB15.7 million in 2021 mainly due to the increasing demand of our existing and new customers as the average number of advertising products we promoted for each customer increased and average promotional duration of advertising products we promoted increased. The number of advertising products we promoted for our advertising customers increased from 56 in 2020 to 133 in 2021 driven by the increasing demand of our customers due to recovery of the economy and our continuous enhancement of AR/VR marketing services, as well as an increase of our advertising products from the entertainment and Internet industries in 2021 driven by the growing market demands.

AR/VR content

Revenue from our AR/VR content business increased by 40.6% from RMB114.8 million in 2020 to RMB161.4 million in 2021, primarily due to an increase in the number of customers and an increase in the number of AR/VR content projects we carried out. Our number of customers with respect to AR/VR content business increased from 21 in 2020 to 46 in 2021. The number of AR/VR content projects we carried out increased from 41 in 2020 to 95 in 2021 driven by the increasing demand for AR/VR products and our improved operational and technical capabilities. We improved our operational and technical capabilities by developing and upgrading our underlying technology and content technology. Particularly we developed more than five specialized systems including a physical simulation system in 2021 which improved our development efficiency by shortening our development time. In addition, we accumulated experiences and expertise in industries such as entertainment and education and were able to benefit from our accumulated experience and reuse some of the AR/VR content related algorithms and make reference to some of the content materials of our previous projects.

AR/VR SaaS

Revenue from our AR/VR SaaS business increased by 122.9% from RMB9.2 million in 2020 to RMB20.6 million in 2021, primarily due to an increase in the price range of customized AR/VR SaaS projects in 2021 as compared to 2020 driven by the market recognition of our technical capability, as well as an increase of over 2,000 subscribed paying users of our AR/VR SaaS platform in 2021 as compared to 2020. We developed more features and enhanced data analytics functions of our AR/VR SaaS platform in 2021, making more than 50 technical improvements and adding four functions to our platform. The cumulative number of our AR/VR SaaS modules increased from 496 as of December 31, 2020 to 818 as of December 31, 2021.

FINANCIAL INFORMATION

IP

Our revenue from IP business decreased by 85.0% from RMB29.8 million in 2020 to RMB4.5 million in 2021, primarily as we shifted our business focus mainly to use IPs to support our AR/VR businesses going forward rather than licensing out IPs.

Others

Revenue from our other businesses decreased by 24.6% from RMB43.1 million in 2020 to RMB32.5 million in 2021, primarily due to the decrease in our revenue from promotion services from RMB25.6 million in 2020 to RMB6.1 million in 2021 as we placed less business focus on non-AR/VR marketing services.

Cost of Revenue

Our cost of revenue increased by 79.5% from RMB233.9 million in 2020 to RMB419.8 million in 2021. This increase was primarily driven by the increase in the traffic acquisition costs in relation to our AR/VR marketing services and text message services businesses, and the use of materials costs in relation to our AR/VR content business, in line with the growth of our AR/VR marketing services, AR/VR content business and other businesses.

Our traffic acquisition costs in relation to our AR/VR marketing services and text message services businesses increased by 125.1% from RMB138.4 million in 2020 to RMB311.5 million in 2021, primarily due to the growth of our AR/VR marketing services and text message services businesses. Our use of materials costs in relation to our AR/VR content business increased by 20.9% from RMB36.8 million in 2020 to RMB44.5 million in 2021, primarily due to the increase in our demand for PGC video materials mainly driven by the increasing customer demand for our AR/VR content. Our subcontracting and development costs increased by 63.3% from RMB22.6 million in 2020 to RMB36.9 million in 2021, primarily due to the expansion of our AR/VR content business.

Gross Profit and Gross Margin

Our overall gross profit increased by 67.6% from RMB104.7 million in 2020 to RMB175.5 million in 2021, primarily driven by the increase in our revenue.

Our overall gross margin slightly decreased from 30.9% in 2020 to 29.5% in 2021, as gross margins of our AR/VR content business slightly decreased. We managed to keep our gross margin relatively stable notwithstanding our fast business expansion.

FINANCIAL INFORMATION

Our gross margin of AR/VR marketing services business increased from 19.4% in 2020 to 21.7% in 2021, primarily because we carried out some AR/VR marketing services projects with lower gross margin in the first half of 2020 as, to the best knowledge, information and belief of our Directors after having made reasonable enquiries, some of our advertising customers scaled down their budget for advertising during the outbreak of COVID-19 and we needed to reach out to a wider market for advertising customers. Our gross margin of AR/VR content business slightly decreased from 47.2% in 2020 to 46.2% in 2021. Our gross margin of AR/VR SaaS business increased from 52.9% in 2020 to 54.7% in 2021, primarily because we had less development needs as we gradually accumulated more AR/VR SaaS modules and we benefited from economies of scale with respect to certain costs including staff costs and costs of servers. The cumulative number of our AR/VR SaaS modules increased from 496 as of December 31, 2020 to 818 as of December 31, 2021. Our gross margin of IP business decreased from 19.3% in 2020 to 3.8% in 2021, primarily as some of the IP transactions we conducted had lower gross margins. Our gross margin of other businesses decreased from 28.8% in 2020 to 24.7% in 2021, primarily as we derived 79.4% of our other business revenue from text message services in 2021 which had a relatively low gross margin.

Other Income

Our other income increased by 81.7% from RMB1.7 million in 2020 to RMB3.1 million in 2021, primarily as a result of an increase in tax refund.

Other Gains and Losses

Our other net gains increased by 63.7% from RMB0.3 million in 2020 to RMB0.4 million in 2021, primarily due to an increase in gains for purchases not paid as the relevant suppliers were deregistered.

Impairment Losses under ECL model, Net of Reversal

Our impairment losses under ECL model, net of reversal was RMB2.1 million in 2020. We had a gain from reversal of provision of impairment of RMB0.9 million in 2021, primarily attributable to our improved credit management which led to a decrease in our long outstanding trade receivables.

FINANCIAL INFORMATION

Distribution and Selling Expenses

Our distribution and selling expenses increased by 88.5% from RMB7.3 million in 2020 to RMB13.7 million in 2021, primarily attributable to an increase of RMB6.5 million in staff costs of our sales and marketing personnel due to an increase in the headcounts of our sales team from 23 as of December 31, 2020 to 33 as of December 31, 2021 driven by the expansion of our business and the increase in the average compensation level in line with the expansion of our business.

Administrative Expenses

Our administrative expenses increased by 151.5% from RMB8.6 million in 2020 to RMB21.7 million in 2021, primarily due to (i) an increase of RMB4.1 million in our professional service fees in relation to our financing activities which were not related to the Listing, (ii) the increase of RMB3.7 million in the staff costs of our administrative personnel in line with our business expansion and the increase in the compensation level of our administrative personnel, and (iii) an increase of RMB2.4 million in our rental and property management expenses as we rented more office space due to business expansion.

Research and Development Expenses

Our research and development expenses increased by 44.2% from RMB15.0 million in 2020 to RMB21.7 million in 2021, primarily due to (i) the increase of RMB5.0 million in the outsourced R&D expenses, primarily in relation to the accounting system for our AR/VR SaaS platform and our text messaging system, and (ii) the increase of RMB1.1 million in the staff costs of our research and development personnel, primarily in relation to our enhancement effort on our AR/VR development engines and our AR/VR SaaS platform. Our research and development personnel increased from 39 as of December 31, 2020 to 46 as of December 31, 2021.

Listing expenses

We incurred Listing expenses of RMB12.3 million in 2021 in relation to the Global Offering.

Fair Value Changes on Financial Liabilities Designated as at FVTPL

Our loss from fair value changes on financial liabilities designated as at FVTPL increased by over 14 folds from RMB1.4 million in 2020 to RMB21.1 million in 2021, as a result of changes in fair value of the shares with preferred rights and preferred shares issued by Ophyer Technology in 2020 and 2021.

FINANCIAL INFORMATION

Finance Costs

Our finance costs increased by 22.8% from RMB1.9 million in 2020 to RMB2.4 million in 2021, primarily due to the increase in the interest expenses on other financial liabilities and our lease liabilities as a result of our lease of new office premises.

Income Tax Expense

Our income tax expense increased by 52.4% from RMB10.1 million in 2020 to RMB15.4 million in 2021, primarily due to the increase in our taxable income.

Profit for the Year and Net Profit Margin

As a result of the foregoing, we recorded a profit of RMB71.7 million in 2021, compared to a profit of RMB60.3 million in 2020. Our net profit margin decreased from 17.8% in 2020 to 12.0% in 2021 mainly due to the effect of fair value changes on financial liabilities designated as at FVTPL and Listing expenses.

Year Ended December 31, 2020 Compared to Year Ended December 31, 2019

Revenue

Our revenue increased by 34.9% from RMB250.9 million in 2019 to RMB338.6 million in 2020, mainly attributable to the increase in our revenue generated from our AR/VR marketing services, AR/VR content and other businesses. Notwithstanding our revenue from AR/VR content and services businesses grew at a slower pace in 2020, we regained our growth momentum in the second half of 2020. The overall growth of our revenue was driven by our business expansion as a result of the market recognition of our technical capability and the industry growth.

AR/VR marketing services

Revenue from our AR/VR marketing services business increased by 3.4% from RMB137.1 million in 2019 to RMB141.7 million in 2020, primarily due to an increase in the number of advertising customers from 19 in 2019 to 23 in 2020 driven by our continuous enhancement of AR/VR marketing services.

FINANCIAL INFORMATION

AR/VR content

Revenue from our AR/VR content business increased by 153.2% from RMB45.3 million in 2019 to RMB114.8 million in 2020, primarily due to an increase in the number of customers from 10 in 2019 to 21 in 2020 and an increase in the number of AR/VR content projects we carried out from 35 in 2019 to 41 in 2020 driven by the increasing recognition of our AR/VR content products and our improved operational and technical capabilities which allowed us to take on more complex and larger AR/VR content projects. We improved our operational and technical capabilities by developing and upgrading our underlying technology and content technology. Particularly, we improved our AR/VR development engines by adding three specialized development tools including dynamic scenario editors.

AR/VR SaaS

Revenue from our AR/VR SaaS business increased by 41.8% from RMB6.5 million in 2019 to RMB9.2 million in 2020, primarily due to the increase in the number of customized SaaS projects we carried out from 204 in 2019 to 554 in 2020 driven by the continuous improvement and optimization of our SaaS products as well as the increased demand for customized SaaS solutions from our customers. We improved our AR/VR SaaS platform in 2020, making more than 30 technical improvements and significantly reducing content access time by users. The cumulative number of our AR/VR SaaS modules increased from 283 as of December 31, 2019 to 496 as of December 31, 2020. In addition, we upgraded the online editors of our AR/VR SaaS platform which improved the efficiency of our content development.

IP

Revenue from our IP business remained relatively stable with a slight decrease of 2.3% from RMB30.5 million in 2019 to RMB29.8 million in 2020.

Others

Revenue from our other businesses increased by 36.9% from RMB31.5 million in 2019 to RMB43.1 million in 2020, primarily due to an increase of revenue from our promotion services from RMB7.8 million in 2019 to RMB25.6 million 2020, driven by an increase in our revenue from promotion services and the introduction of our text message services, which had a revenue of RMB10.4 million in 2020, with the establishment of a new subsidiary, Beijing Xingshi, carrying out the text message services.

FINANCIAL INFORMATION

Cost of Revenue

Our cost of revenue increased by 33.2% from RMB175.6 million in 2019 to RMB233.9 million in 2020, primarily due to the increase in the traffic acquisition costs in relation to our AR/VR marketing services, promotion services, text message services, the subcontracting and development costs in relation to our AR/VR content and AR/VR SaaS business, and the use of materials costs in relation to our AR/VR content business, in line with the growth of our AR/VR marketing services, AR/VR content, AR/VR SaaS and other businesses.

Our traffic acquisition costs increased by 20.0% from RMB115.3 million in 2019 to RMB138.4 million in 2020, primarily due to the growth of our AR/VR marketing services, promotion services and text message services businesses. Our use of materials costs in relation to our AR/VR content business increased by 387.5% from RMB7.5 million in 2019 to RMB36.8 million in 2020, primarily due to the increase in our demand for PGC video materials mainly driven by the increasing customer demand for our AR/VR content. Our subcontracting and development costs increased by 5.9% from RMB21.3 million in 2019 to RMB22.6 million in 2020, primarily driven by the growth of our AR/VR content business.

Gross Profit and Gross Margin

Our overall gross profit increased by 39.0% from RMB75.3 million in 2019 to RMB104.7 million in 2020, primarily driven by the increase in our revenue.

Our overall gross margin remained relatively stable at 30.9% in 2020 compared to 30.0% in 2019.

Our gross margin of AR/VR marketing services business decreased from 21.2% in 2019 to 19.4% in 2020 primarily because we carried out some AR/VR marketing services projects with lower gross margin in the first half of 2020 as, to the best knowledge, information and belief of our Directors after having made reasonable enquiries, some of our advertising customers scaled down their budget for advertising during the outbreak of COVID-19 and we needed to reach out to a wider market for advertising customers. Our gross margin of AR/VR content business remained generally stable at 47.2% in 2020 compared to 47.9% in 2019. Our gross margin of AR/VR SaaS business increased from 50.5% in 2019 to 52.9% in 2020, primarily because we had less development needs as we gradually accumulated more AR/VR SaaS modules and we benefited from economies of scale with respect to certain costs including staff costs and costs of servers. The cumulative number of our AR/VR SaaS modules increased from 283 as of December 31, 2019 to 496 as of December 31, 2020. Our gross margin of IP business slightly decreased from 20.3% in 2019 to 19.3% in 2020. Our gross margin of other businesses further decreased from 48.0% in 2019 to 28.8% in 2020, primarily as we completed the winding-down of games and games related

FINANCIAL INFORMATION

business in 2019 and we derived 59.4% of our other business revenue from promotion services in 2020 compared to 24.6% in 2019. The promotion services had a relatively lower gross margin compared to technical services and games and games related businesses.

Other Income

Our other income increased significantly from RMB0.3 million in 2019 to RMB1.7 million in 2020, primarily as a result of the increase in our interest income on one-off loans to our suppliers.

Other Gains and Losses

We recorded other losses of RMB0.1 million in 2019 and other gains of RMB0.3 million in 2020, primarily due to gains of RMB0.9 million from disposal of intangible assets.

Impairment Losses under ECL model, Net of Reversal

Our impairment losses under ECL model, net of reversal decreased by 37.7% from RMB3.4 million in 2019 to RMB2.1 million in 2020, primarily attributable to the reversal of provisions for the impairment of loans to our suppliers.

Distribution and Selling Expenses

Our distribution and selling expenses increased by 33.0% from RMB5.5 million in 2019 to RMB7.3 million in 2020, primarily due to an increase of RMB2.1 million in staff costs of our sales and marketing personnel due to an increase in the headcounts of our sales team from 16 as of December 31, 2019 to 23 as of December 31, 2020 driven by the expansion of our business and the increase in the average compensation level. The increase in our staff costs was in line with the expansion of our business.

Administrative Expenses

Our administrative expenses increased by 47.7% from RMB5.8 million in 2019 to RMB8.6 million in 2020, primarily due to (i) an increase of RMB2.0 million in our professional service fees in relation to our financing activities which were not related to the Listing, and (ii) an increase of RMB0.4 million in our rental and property management expenses as we rented more office space due to business expansion.

FINANCIAL INFORMATION

Research and Development Expenses

Our research and development expenses increased by 31.7% from RMB11.4 million in 2019 to RMB15.0 million in 2020, primarily attributable to (i) the increase of RMB1.8 million in the staff costs of our research and development personnel, primarily in relation to our enhancement effort on our AR/VR development engines and our AR/VR SaaS platform, and (ii) the increase of RMB1.8 million of outsourced R&D expenses in relation to outsourced interactive content modules and the accounting system for our AR/VR SaaS platform. Our research and development personnel increased from 18 as of December 31, 2019 to 39 as of December 31, 2020.

Fair Value Changes on Financial Liabilities Designated as at FVTPL

Our fair value changes of shares with preferred rights were a loss of RMB1.4 million in 2020, representing changes in fair value of the shares with preferred rights issued by Ophyer Technology in 2020. We did not have such losses in 2019.

Finance Costs

Our finance costs increased by 81.8% from RMB1.1 million in 2019 to RMB1.9 million in 2020, primarily due to the increase in the interest expenses on bank borrowings as a result of the increase of our bank borrowings.

Income Tax Expense

Our income tax expense increased by 56.5% from RMB6.5 million in 2019 to RMB10.1 million in 2020, primarily due to the increase in our taxable income.

Profit for the Year and Net Profit Margin

As a result of the foregoing, we recorded a profit of RMB60.3 million in 2020, compared to a profit of RMB41.9 million in 2019. Our net profit margin increased from 16.7% in 2019 to 17.8% in 2020 mainly due to the increase in our gross margin attributable to our improved efficiency as our business expanded.

FINANCIAL INFORMATION

DISCUSSION OF CERTAIN KEY CONSOLIDATED BALANCE SHEETS ITEMS

CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

	As of December 31,			As of March 31,
	2019	2020	2021	2022
	RMB'000	RMB'000	RMB'000	RMB'000
NON-CURRENT ASSETS				
Property, plant and equipment	223	409	2,140	2,855
Right-of-use assets	496	959	6,492	5,633
Intangible assets	11,767	25,840	29,274	53,949
Contract costs	—	—	1,005	803
Deferred tax assets	821	1,081	1,325	3,163
	<u>13,307</u>	<u>28,289</u>	<u>40,236</u>	<u>66,403</u>
CURRENT ASSETS				
Inventories	10,396	4,301	—	—
Loan receivables	17,264	—	—	—
Trade and other receivables and deposits	96,932	140,188	166,129	203,584
Contract costs	22,170	20,802	9,496	11,364
Prepayments	45,205	93,003	153,375	191,325
Bank balances and cash	11,705	104,017	214,279	198,315
	<u>203,672</u>	<u>362,311</u>	<u>543,279</u>	<u>604,588</u>
CURRENT LIABILITIES				
Trade and other payables	52,606	63,899	75,340	92,564
Financial liabilities at FVTPL	—	48,357	—	—
Lease liabilities	504	689	3,019	3,696
Bank borrowings	17,000	38,667	22,300	39,500
Contract liabilities	19,019	44,436	21,091	24,298
Income tax payable	8,685	14,968	12,451	24,189
	<u>97,814</u>	<u>211,016</u>	<u>134,201</u>	<u>184,247</u>
NET CURRENT ASSETS	<u>105,858</u>	<u>151,295</u>	<u>409,078</u>	<u>420,341</u>
TOTAL ASSETS LESS CURRENT LIABILITIES	<u>119,165</u>	<u>179,584</u>	<u>449,314</u>	<u>486,744</u>
NON-CURRENT LIABILITIES				
Lease liabilities	—	167	2,744	1,969
	<u>—</u>	<u>167</u>	<u>2,744</u>	<u>1,969</u>
NET ASSETS	<u>119,165</u>	<u>179,417</u>	<u>446,570</u>	<u>484,775</u>
CAPITAL AND RESERVES				
Share capital	9,061	9,061	7	7
Reserves	110,104	168,987	443,677	481,955
EQUITY ATTRIBUTABLE TO OWNERS OF THE COMPANY	<u>119,165</u>	<u>178,048</u>	<u>443,684</u>	<u>481,962</u>
Non-controlling interests	—	1,369	2,886	2,813
TOTAL EQUITY	<u>119,165</u>	<u>179,417</u>	<u>446,570</u>	<u>484,775</u>

FINANCIAL INFORMATION

Intangible assets

Our intangible assets consist of (i) adaptation rights for novels, IP images and cartoon characters for our own use in the AR/VR marketing services and content businesses and on our AR/VR SaaS platform and (ii) computer software.

The following table sets forth a breakdown of our intangible assets as of the dates indicated:

	As of December 31,			As of March 31,
	2019	2020	2021	2022
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
Adaptation rights	11,767	25,830	29,161	53,792
— Novels	10,616	11,817	7,573	6,732
— IP images	—	13,758	21,588	47,060
— Cartoon characters	1,152	256	—	—
Computer software	—	10	113	157
Total	11,767	25,840	29,274	53,949

Our intangible assets increased from RMB11.8 million as of December 31, 2019 to RMB25.8 million as of December 31, 2020, and to RMB29.3 million as of December 31, 2021, and further to RMB53.9 million as of March 31, 2022, primarily due to the increase in the adaptation rights for IP images used in our AR/VR marketing services and content businesses and on our AR/VR SaaS platform, driven by the growth of our AR/VR marketing services, AR/VR content and AR/VR SaaS businesses. We acquire adaptation rights based on our business needs. Our adaptation rights for IP images increased from nil as of December 31, 2019 to RMB13.8 million as of December 31, 2020, and to RMB21.6 million as of December 31, 2021, and further to RMB47.1 million as of March 31, 2022, mainly to support the expansion of our AR/VR content business.

Inventories

Our inventories mainly consists of IPs for novels, videos and cartoon characters. Our inventories decreased from RMB10.4 million as of December 31, 2019 to RMB4.3 million as of December 31, 2020, and further to nil as of December 31, 2021 and March 31, 2022, primarily as we aimed to minimize our inventory risk and purchased IPs based on the needs of our customers. The decrease in our inventories is also consistent with the shift of our business focus mainly to use IPs to support our AR/VR businesses going forward rather than licensing out IPs. Our revenue from IP business contributed to 12.2%, 8.8%, 0.8% and nil to our total revenue in 2019, 2020 and 2021, and the three months ended March 31, 2022, respectively.

FINANCIAL INFORMATION

Contract costs

Our contract costs comprise (i) incremental costs to obtain contracts capitalized in relation to the incremental sales commissions paid to agents whose selling activities resulted in customers entering into agreements for our AR/VR SaaS business and (ii) costs to fulfill contracts capitalized in relation to the setup cost to provide our AR/VR content.

The following table sets forth details of our contract costs as of the dates indicated:

	As of December 31,			As of March 31,
	2019	2020	2021	2022
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
Current				
Incremental costs to obtain contracts . .	—	—	3,803	2,552
Costs to fulfill contracts				
— Setup cost	22,170	20,802	5,693	8,812
Total	<u>22,170</u>	<u>20,802</u>	<u>9,496</u>	<u>11,364</u>
	As of December 31,			As of March 31,
	2019	2020	2021	2022
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
Non-current				
Incremental costs to obtain contracts .	<u>—</u>	<u>—</u>	<u>1,005</u>	<u>803</u>

The incremental sales commissions are costs of obtaining a revenue contract with customers that would not have incurred if the revenue contract had not been obtained. We recognized such costs as an asset in accordance with IFRS 15 in the consolidated statements of financial position as these costs are expected to be recovered. The contract cost is subsequently amortized to cost of revenue in the profit or loss on a systematic basis that is consistent with the transfer to the customer of the goods or services to which the assets relate. The amount of contract acquisition costs recognized in profit or loss in 2021 and the three months ended March 31, 2022 was RMB2.4 million and RMB1.4 million, respectively.

FINANCIAL INFORMATION

As for the setup costs, we purchased PGC video materials for the purpose of processing them into AR/VR content products to fulfill AR/VR content revenue contracts. These costs relate directly to certain revenue contracts, generate resources for our Group that will be used in satisfying performance obligations of certain revenue contracts in the future, and are expected to be recovered. Hence, these costs should be recognized as contract costs in accordance with IFRS 15 and are subsequently amortized to cost of revenue in the profit or loss on a systematic basis that is consistent with the transfer to the customer of the goods or services to which the assets relate. The amount of costs to fulfill contracts recognized in profit or loss in 2019, 2020 and 2021, and the three months ended March 31, 2022 was RMB7.5 million, RMB36.8 million, RMB44.5 million and RMB5.5 million, respectively.

Our contract costs remained relatively stable at RMB20.8 million as of December 31, 2020 as compared to RMB22.2 million as of December 31, 2019. Our contract costs decreased from RMB20.8 million as of December 31, 2020 to RMB10.5 million as of December 31, 2021, primarily due to a decrease in the setup costs in relation to our AR/VR content business as the customer accepted a number of AR/VR content projects in relation to which the costs to fulfill contracts were recognized, partially offset by an increase in the incremental sales commissions to agents in relation to our AR/VR SaaS as we expanded our AR/VR SaaS business. Our contract costs increased from RMB10.5 million as of December 31, 2021 to RMB12.2 million as of March 31, 2022, primarily due to the increase in the setup costs in relation to our AR/VR content business driven by the growth of our AR/VR content business.

Trade and other receivables and deposits

Our trade receivables mainly relate to the amounts due from our customers who purchased our AR/VR marketing services, AR/VR content or AR/VR SaaS products. We generally grant a credit term of several working days to six months typically after we issue a VAT invoice to our customers. Our other receivables and deposits mainly consist of rental and other deposits and other receivables.

FINANCIAL INFORMATION

The following table sets forth details of our trade and other receivables and deposits as of the dates indicated:

	As of December 31,			As of March 31,
	2019	2020	2021	2022
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
Trade receivables	102,224	147,619	168,856	210,523
Less: allowance for credit losses	(5,502)	(7,864)	(7,000)	(12,625)
Total trade receivables	<u>96,722</u>	<u>139,755</u>	<u>161,856</u>	<u>197,898</u>
Share issue costs	—	—	3,645	4,846
Rental and other deposits	213	435	393	752
Amounts due from shareholders	—	—	7	7
Other receivables	575	576	806	659
Less: allowance for credit losses	(578)	(578)	(578)	(578)
Total other receivables and deposits	<u>210</u>	<u>433</u>	<u>4,273</u>	<u>5,686</u>
Total	<u><u>96,932</u></u>	<u><u>140,188</u></u>	<u><u>166,129</u></u>	<u><u>203,584</u></u>

Our trade receivables increased from RMB96.7 million as of December 31, 2019 to RMB139.8 million as of December 31, 2020, and to RMB161.9 million as of December 31, 2021, and further to RMB197.9 million as of March 31, 2022, primarily due to the continual increase in revenue generated from our AR/VR marketing services, AR/VR content and AR/VR SaaS businesses, reflecting our business expansion.

Our amounts due from shareholders of RMB7,000 as of March 31, 2022 were unsecured, interest-free, repayable on demand, non-trade in nature and have been settled.

The following table sets forth an aging analysis of our trade receivables as of the dates indicated:

	As of December 31,			As of March 31,
	2019	2020	2021	2022
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
Within 6 months	68,759	89,398	144,185	158,935
6 to 12 months	15,063	41,615	11,697	30,873
1 to 2 years	12,900	6,866	5,974	8,090
2 to 3 years	—	1,876	—	—
	<u>96,722</u>	<u>139,755</u>	<u>161,856</u>	<u>197,898</u>

FINANCIAL INFORMATION

The following table sets forth the turnover days of our trade receivables for the periods indicated:

	Years ended December 31,			Three months ended March 31,
	2019	2020	2021	2022
	<i>(days)</i>			
Trade receivables turnover days ⁽¹⁾	152	133	96	75

Notes:

1. Trade receivables turnover days for a period equals the average of the opening and closing trade receivables balance divided by revenue for the relevant period and multiplied by the number of days in the relevant period.

Our trade receivables turnover days decreased from 152 days in 2019 to 133 days in 2020, and further to 96 days in 2021 and 75 days in the three months ended March 31, 2022, primarily due to our enhanced collection management efforts and our improved customer base.

As of the Latest Practicable Date, approximately RMB180.1 million, representing approximately 85.5% of our trade receivables as of March 31, 2022, were subsequently settled. The outstanding trade receivables which remained unsettled as of the Latest Practicable Date were not subject to any disputes or legal proceedings. Given that a considerable amount of trade receivables aged over one year had been settled as of the Latest Practicable Date, our Directors are of the view that there is no recoverability issue for trade receivables aged over one year and sufficient provision has been made. The following table sets forth an aging analysis of our trade receivables before making allowance for credit losses as of March 31, 2022 and amounts subsequently settled as of the Latest Practicable Date:

	As of March 31, 2022	As of the Latest Practicable Date	
	<i>RMB'000</i>	<i>RMB'000</i>	<i>%</i>
Within 6 months	161,852	137,019	65.1
6 to 12 months	37,459	37,304	17.7
1 to 2 years	10,112	5,777	2.7
Over 2 years	1,100	—	—
	<u>210,523</u>	<u>180,100</u>	<u>85.5</u>

FINANCIAL INFORMATION

Loan receivables

Our loan receivables of RMB17.3 million as of December 31, 2019 comprised one-off loans made on December 15, 2019 to two of our suppliers, Supplier Q and Supplier B, each an Independent Third Party and, to the best knowledge, information and belief of our Directors, has no past or present relationships (including business, family, employment, financing or otherwise) with our Group, our Shareholders, our Directors or senior management, or any of their respective associates, other than the business relationship established in our ordinary course of business. For details of Supplier B, see the paragraph headed “Business — Our Suppliers”. Supplier Q is a PRC company mainly engaged in Internet information services and software engineering. We commenced our business relationship with Supplier Q in 2019, which business cooperation ceased in mid-2020. We became acquainted with Supplier Q and Supplier B at Internet conferences. We had entered into framework agreements for traffic acquisition prior to providing loans to Supplier Q and Supplier B. Before providing loans to them, we obtained an understanding of the credit background of Supplier Q and Supplier B and undertook an internal credit approval process. Specifically, we conducted a credit assessment on the two suppliers by way of a desktop due diligence by searching Supplier Q and Supplier B on business data and investigation platforms to obtain information on their financial standing such as registered capital, operating history and legal and compliance risks. Our management held a meeting to discuss the matter and considered the proposed loans to Supplier Q and Supplier B to be beneficial to us and the risk of non-payment was relatively low based on the results of our due diligence. The loans were unsecured and unguaranteed. The loans were for the suppliers’ liquidity purpose, for principal amounts of RMB5.0 million and RMB12.4 million, respectively, with effective interest rates of 12% and 9.6% per annum, respectively. The loans were made to maintain good business relationship with our suppliers and we were able to earn interest at a market rate when we had working capital surplus. As advised by our PRC Legal Advisors, the above loan arrangements were in breach of the Lending General Provisions* (《中國人民銀行貸款通則》) promulgated by the PBOC in 1995 as they prohibit lending between enterprises and we may be subject to a fine in an amount of up to five times of the income derived from the loan arrangements. As our total interest income derived from loan receivables amounted to RMB1.8 million during the Track Record Period, we may face a total fine of up to RMB9.0 million for breach of the Lending General Provisions. According to the Provisions of the Supreme People’s Court on Several Issues concerning the Application of Law in the Trial of Private Lending Cases* (《最高人民法院關於審理民間借貸案件適用法律若干問題的規定》) promulgated on August 6, 2015 which was last revised on December 29, 2020, borrowing agreements are valid if extended for purposes of financing production or business operations. PRC courts will also support a company’s claim for interest in respect of such a loan as long as the annual interest rate does not exceed 24%. In light of the above, our PRC Legal Advisors are of the view that the above loan arrangements do not contravene the Civil Code of the PRC* (《中華人民共和國民法典》) or related judicial interpretation. Based on the facts that: (i) the Provisions of the Supreme People’s Court on Several Issues concerning the Application of Law in

FINANCIAL INFORMATION

the Trial of Private Lending Cases stipulate that borrowing agreements are valid if extended for purposes of financing production or business operations and PRC courts will support a company's claim for interest if it is expressly agreed in the contract in respect of such a loan; and (ii) the loans have been fully repaid, our PRC Legal Advisors are of the view that the risk of the PBOC imposing any penalty on us is very low. We do not expect to receive further interest income on such loan receivables as the loans were repaid in full in April 2020 and December 2020, respectively. We did not have any loan receivables as of December 31, 2020 and 2021, and March 31, 2022.

Prepayments

Our prepayments comprise prepayments for purchasing advertising traffic from media platforms and their agents, as Independent Third Parties, related to our AR/VR marketing services, prepayments for subcontracting service in connection with our AR/VR content business, prepayments for purchase of inventories, prepaid share issue costs and other prepayments. The following table sets forth details of our prepayments as of the dates indicated:

	As of December 31,			As of March 31,
	2019	2020	2021	2022
	RMB'000	RMB'000	RMB'000	RMB'000
Prepayments for purchasing advertising traffic	44,660	85,937	138,436	171,509
Prepayments for subcontracting service	170	6,875	13,969	16,099
Prepayments for purchase of inventories	272	—	—	—
Share issue costs	—	—	431	1,689
Other prepayments	103	191	539	2,028
Total	45,205	93,003	153,375	191,325

Our prepayments increased from RMB45.2 million as of December 31, 2019 to RMB93.0 million as of December 31, 2020, primarily due to the increase in our prepayments for purchasing advertising traffic related to our AR/VR marketing services to support and ensure a steady flow of traffic for our expanding AR/VR marketing services business and as we were able to obtain traffic with a more favorable price from suppliers for bulk purchase of advertising traffic. According to iResearch, prepayment for advertising traffic to secure a steady flow of traffic is a common industry practice. Our prepayments further increased to RMB153.4 million as of December 31, 2021 and to RMB191.3 million as of March 31, 2022, primarily due to the increase in our

FINANCIAL INFORMATION

prepayments for purchasing advertising traffic related to our AR/VR marketing services in line with the overall growth of our AR/VR marketing services business, and an increase in prepayments for outsourcing service in connection with our AR/VR content business.

Our prepayments for purchasing advertising traffic to media platforms and their agents and our prepayments for subcontracting service to subcontractors are generally not refundable upon request as our suppliers usually have stronger bargaining power than us. On the one hand, the more traffic resources a traffic provider has, the easier it is for the traffic provider to attract a large number of customers, and the stronger the traffic provider's negotiation power is. On the other hand, the smaller the traffic acquisition scale the customer has, and the smaller the customer's revenue contribution to and influence on the traffic providers, the lower the customer's negotiation power is. As there are only a number of traffic providers with quality advertising traffic in the market, their negotiation power is usually strong.

While there is no expiry term of the prepayments for purchasing advertising traffic made by us, most of our prepayments are used within three to six months from the date of payment. As there is no expiry term of the prepayments for purchasing advertising traffic, we keep looking for business opportunities for unused prepayments and make sure the prepayments are fully utilized in due course. As of the Latest Practicable Date, RMB177.8 million, or approximately 92.9% of our prepayments as of March 31, 2022 had been used.

Trade and other payables

Our trade and other payables comprise (i) trade payables, (ii) other tax payable, (iii) employee compensation payable, (iv) accrued share issue costs and (v) other payables and accruals. Our trade payables mainly were the amounts due to our suppliers for subcontracting and development costs, use of materials costs and purchases of the advertising traffic.

FINANCIAL INFORMATION

The following table sets forth a breakdown of our trade and other payables as of the dates indicated:

	As of December 31,			As of March 31,
	2019	2020	2021	2022
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
Trade payables	45,381	45,520	44,263	60,361
Other tax payable	6,410	15,128	21,683	27,367
Employee compensation payable	810	1,574	3,049	3,210
Accrued listing expenses	—	—	3,841	718
Accrued share issue costs	—	—	2,426	210
Other payables and accruals	5	1,677	78	698
Total	52,606	63,899	75,340	92,564

Our trade and other payables increased from RMB52.6 million as of December 31, 2019 to RMB63.9 million as of December 31, 2020, primarily due to the increase in our other tax payable as a result of increase in VAT driven by our overall business growth. Our trade and other payables increased from RMB63.9 million as of December 31, 2020 to RMB75.3 million as of December 31, 2021, primarily due to the increase in our other tax payable as a result of increase in VAT driven by our overall business growth and the increase in our accrued listing expense and shares issue costs in connection with the Global Offering. Our trade and other payables increased from RMB75.3 million as of December 31, 2021 to RMB92.6 million as of March 31, 2022, primarily due to the increase in our trade payables in line with our business expansion.

The following table sets forth an aging analysis of our trade payables based on the date of billing documents as of the dates indicated:

	As of December 31,			As of March 31,
	2019	2020	2021	2022
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
Within 6 months	36,994	27,992	25,080	40,287
6 to 12 months	5,449	1,850	2,048	1,739
1 to 2 years	2,938	15,378	2,877	4,077
Over 2 years ⁽¹⁾	—	300	14,258	14,258
	45,381	45,520	44,263	60,361

FINANCIAL INFORMATION

Note:

1. The balance of trade payables aged over 2 years as of March 31, 2022, mainly represented part of our trade payables to Supplier G and such balance was unsettled as agreed by Supplier G as it was under business restructuring. Our Directors confirm that there had been no dispute or litigation on such balance as of the Latest Practicable Date.

The following table sets forth the turnover days of our trade payables for the periods indicated:

	Years ended December 31,			Three months ended
	2019	2020	2021	March 31, 2022
			(days)	
Trade payables turnover days ⁽¹⁾	99	70	38	30

Note:

1. Trade payables turnover days for a period are calculated using the average of the opening and closing trade payables balance for such period divided by cost of revenue for the relevant period and multiplied by the number of days in the relevant period.

Our trade payables turnover days decreased from 99 days in 2019 to 70 days in 2020, and to 38 days in 2021, and further to 30 days in the three months ended March 31, 2022 primarily due to (i) our timely payment for the purchases to maintain good business relationship with our suppliers; and (ii) the decrease in our trade payables for purchases of the advertising traffic attributable to the increase in our prepayments for purchasing advertising traffic to secure advertising traffic.

As of the Latest Practicable Date, RMB32.5 million, or approximately 53.9% of our trade payables as of March 31, 2022 had been settled.

Contract liabilities

Our contract liabilities mainly arise from the advance payments in relation to our AR/VR marketing services, AR/VR content, AR/VR SaaS and IP products ordered by the customers while the underlying services or products are yet to be provided. These contract liabilities are not expected to involve any cash outflow.

FINANCIAL INFORMATION

We recognized contract liabilities of RMB19.0 million, RMB44.4 million, RMB21.1 million and RMB24.3 million as of December 31, 2019, 2020 and 2021 and March 31, 2022, respectively. Our contract liabilities fluctuated during the Track Record Period as we collected advance payments from our customers on a case-by-case basis. Our contract liabilities increased from RMB19.0 million as of December 31, 2019 to RMB44.4 million as of December 31, 2020. Our contract liabilities decreased from RMB44.4 million as of December 31, 2020 to RMB21.1 million as of December 31, 2021. Our contract liabilities increased from RMB21.1 million as of December 31, 2021 to RMB24.3 million as of March 31, 2022. In 2020 and 2021, and the three months ended March 31, 2022, we recognized revenue amounting to RMB19.0 million, RMB26.5 million and RMB7.8 million, respectively, which relate to the contract liabilities balance at the beginning of the year, accounting for 100.0%, 59.7% and 37.1% of our contract liabilities at the beginning of the year, respectively. As of the Latest Practicable Date, we recognized revenue amounting to RMB18.2 million relating to the contract liabilities balance as of March 31, 2022, accounting for 74.8% of our contract liabilities as of March 31, 2022.

INDEBTEDNESS AND CONTINGENT LIABILITIES

The following table sets forth a breakdown of our indebtedness as of the dates indicated:

	As of December 31,			As of March 31,
	2019	2020	2021	2022
	RMB'000	RMB'000	RMB'000	RMB'000
Bank borrowings	17,000	38,667	22,300	39,500
Lease liabilities	504	856	5,763	5,665
Financial liabilities at FVTPL	—	48,357	—	—
Contingent liabilities	—	—	—	—
Total indebtedness	17,504	87,880	28,063	45,165

Borrowings

Our borrowings comprise short-term borrowings from commercial banks in the PRC denominated in RMB. During the Track Record Period, the fixed interest rates of our bank borrowings ranged from 3.85% to 6.50% per annum except for a loan of RMB1.0 million made in 2020 with a fixed interest rate of 12.24% per annum from a private online bank and the floating interest rates of our bank borrowings ranged from 4.50% to 6.50% per annum. The fixed interest rate loan from such private online bank was used for our working capital purpose. We borrowed from the online bank as the procedures for approving and extending the loan were simple and fast, which is typical to loans from online banks. Loan agreements in respect of our borrowings from

FINANCIAL INFORMATION

commercial banks in the PRC during the Track Record Period contained standard covenants that restricted us on, among others, the use of borrowed funds and we are required to notify and/or obtain prior written consent from the banks upon, among others, occurrence of merger, acquisition, split-up, investment in a joint venture, change of business scope, sale or disposal of material assets, corporate reorganization, significant external investments, undertaking of additional debt financing, material litigation or winding-up or bankruptcy or reduction in registered capital. As advised by our PRC Legal Advisors and confirmed by our Directors, during the Track Record Period and up to the Latest Practicable Date, we had not breached any material covenant under the loan agreements, nor defaulted on any loan repayment.

The guarantee information of our bank borrowings are as below:

	As of December 31,			As of March 31,
	2019	2020	2021	2022
	RMB'000	RMB'000	RMB'000	RMB'000
Guaranteed by:				
Third-party financial				
guarantee companies ⁽¹⁾	12,000	23,000	6,000	1,500
Mr. Wang ⁽²⁾	—	5,667	—	—
Mr. Wang and his close associate ⁽²⁾ . .	5,000	5,000	—	—
Mr. Wang and third-party financial				
guarantee companies ⁽²⁾	—	5,000	—	—
	<u>17,000</u>	<u>38,667</u>	<u>6,000</u>	<u>1,500</u>

Notes:

- The bank borrowings guaranteed by third-party financial guarantee companies amounting to RMB12.0 million, RMB13.0 million and RMB6.0 million as of December 31, 2019, 2020 and 2021 were counter guaranteed jointly by Mr. Wang, our Controlling Shareholder, and his close associate. The bank borrowings guaranteed by third-party financial guarantee companies amounting to RMB10.0 million as of December 31, 2020 were counter guaranteed by Mr. Wang. The counter guarantees by Mr. Wang and his close associate have been released during the three months ended March 31, 2022.
- The guarantees provided were released in December 2021.

As of December 31, 2019, 2020 and 2021, March 31, 2022 and July 31, 2022, we had total borrowings of RMB17.0 million, RMB38.7 million, RMB22.3 million, RMB39.5 million and RMB58.3 million, respectively. Our borrowings increased from RMB17.0 million as of December 31, 2019 to RMB38.7 million as of December 31, 2020 primarily due to operational funding needs in line with our business expansion. Our borrowings decreased from RMB38.7 million as of

FINANCIAL INFORMATION

December 31, 2020 to RMB22.3 million as of December 31, 2021 primarily because we obtained equity financing in 2021 from the Pre-IPO Investors. Our borrowings increased from RMB22.3 million as of December 31, 2021 to RMB39.5 million as of March 31, 2022 primarily due to operational funding needs in line with our business expansion. Among the RMB58.3 million borrowings as of July 31, 2022, RMB20.3 million were secured but unguaranteed, RMB15.0 million were unsecured but guaranteed, and RMB23.0 million were unsecured and unguaranteed. As of the Latest Practicable Date, we had unutilized banking facilities of RMB7.0 million. Except for incurring additional bank borrowings from time to time in the ordinary course of business, we currently have no material external debt financing plan before or shortly after the Global Offering.

Lease liabilities

Our lease liabilities, which were secured by rental deposits and unguaranteed, increased from RMB0.5 million as of December 31, 2019 to RMB0.9 million as of December 31, 2020, and further increased to RMB5.8 million as of December 31, 2021, and further increased to RMB7.1 million as of July 31, 2022, primarily attributable to our lease of new office premises to support our overall business growth. Our lease liabilities remained relatively stable at RMB5.7 million as of March 31, 2022 compared to RMB5.8 million as of December 31, 2021. The following table sets forth an analysis of our lease liabilities as of the dates indicated:

	As of December 31,			As of March 31,	As of July 31,
	2019	2020	2021	2022	2022
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
					(Unaudited)
Non-current	—	167	2,744	1,969	2,560
Current	504	689	3,019	3,696	4,548
Total	504	856	5,763	5,665	7,108

Financial liabilities at FVTPL

Ophyer Technology entered into share subscription agreements with certain Pre-IPO Investors and issued four rounds of shares with preferred rights or preferred shares in 2020 and 2021. For further details, see Note 26 to the Accountants' Report in Appendix I to this prospectus. In July 2021, Ophyer Technology entered into supplemental agreements with round A, round A+ and round B Pre-IPO Investors in relation to their shares with preferred rights. According to the supplemental agreements, the preferred rights of the shares related to our Group were terminated. All the preferred shares were converted into ordinary shares in December 2021.

FINANCIAL INFORMATION

We have engaged an independent valuer to use the discounted cash flow method and the scenario-based analysis to determine the underlying shares' value of Ophyer Technology and the fair value of the performance compensation rights and performed an equity allocation based on Black-Scholes model to arrive at the fair value of the shares with preferred rights as of the date of issuance and at the end of each reporting period. As of December 31, 2020 and 2021, fair value of the shares with preferred rights and preferred shares amounted to RMB48.4 million and nil respectively, resulting in a fair value loss of RMB1.4 million and RMB21.1 million in 2020 and 2021, respectively.

In respect of the valuation of level three financial liabilities at FVTPL, with reference to the guidance under the “Guidance Note on Directors’ Duties in the Context of Valuations in Corporate Transactions” issued by the SFC in May 2017 (the “**Guidance**”) applicable to directors of companies listed on the Stock Exchange, our Directors adopted the following procedures: (i) engaged an independent valuer (the “**Valuer**”) to appraise the fair value of the shares with preferred rights for rounds A, A+ and B financing and assessed the Valuer’s appropriate qualification and recent experience in the valuation of similar instrument as management’s expert; (ii) provided necessary financial information to the Valuer for the Valuer to determine the fair value, and discussed with the Valuer on relevant assumptions including but not limited to the discount rate; (iii) assessed and reviewed the valuation reports prepared by the Valuer; (iv) considered the relevant information in assessing the financial data and assumptions including but not limited to the discount rate and performed valuation on the fair value of the preferred shares; and (v) performed internal valuation calculation for round C financing based on the financial data, assumption and methods. Based on the above procedures, our Directors are of the view that the valuation analysis performed by the valuer and our management is fair and reasonable, and the level three fair value measurement consisted of shares with preferred rights and preferred shares has been properly prepared.

The details on the fair value measurement of the financial liabilities at FVTPL, particularly the fair value hierarchy, the valuation techniques and key inputs, including significant unobservable inputs and the relationship of the unobservable inputs to the fair values, are disclosed in Note 26 and Note 33 to the Accountants’ Report in Appendix I to this prospectus. The Reporting Accountants have performed their work in accordance with Hong Kong Standard on Investment Circular Reporting Engagement 200 “Accountants’ Reports on Historical Financial Information in Investment Circulars” issued by the Hong Kong Institute of Certified Public Accountants for the purpose of expressing an opinion on our historical financial information for the Track Record Period as a whole and its opinion on the historical financial information of our Group for the Track Record Period as a whole is set out on pages I-1 to I-3 of Appendix I to this prospectus.

FINANCIAL INFORMATION

The Sole Sponsor has (i) reviewed the valuation reports prepared by the Valuer for the appraisal of fair value of the shares with preferred rights for rounds A, A+ and B financing, the internal valuation calculation prepared by our management for the fair value of the preferred shares for round C financing, the Accountant's Report and the relevant documents provided by our Company; (ii) discussed with our management, the Valuer and the Reporting Accountants on the work done and valuation standard; and (iii) conducted due diligence interviews with each of the Valuer and the Pre-IPO investors. Having considered the work performed by our Directors, the unqualified opinion on the historical financial information of our Group as a whole issued by the Reporting Accountants and included in Appendix I to this prospectus and the above due diligence performed, nothing has come to the Sole Sponsor's attention that would cause the Sole Sponsor to be unsatisfied with the valuation analysis performed by our Company and the Valuer on the level three fair value measurement consisted of shares with preferred rights and preferred shares.

Contingent liabilities

We did not have any material contingent liabilities as of December 31, 2019, 2020 and 2021, March 31, 2022 and July 31, 2022, respectively.

Except as disclosed above and apart from normal trade and other payables, intra-group liabilities and tax payable, as of July 31, 2022, being the latest practicable date for determining our indebtedness, we did not have any outstanding mortgages, charges, debentures, other issued debt capital, bank overdrafts, borrowings, liabilities under acceptance or other similar indebtedness, hire purchase commitments, guarantees or contingent liabilities on a consolidated basis. Our Directors have confirmed that there is no material change in our indebtedness since July 31, 2022 and up to the Latest Practicable Date.

FINANCIAL INFORMATION

NET CURRENT ASSETS

The following table sets forth the components of our current assets and current liabilities as of the dates indicated:

	As of December 31,			As of March 31,	As of July 31,
	2019	2020	2021	2022	2022
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000 (Unaudited)
Inventories	10,396	4,301	—	—	—
Loan receivables	17,264	—	—	—	—
Trade and other receivables and deposits	96,932	140,188	166,129	203,584	202,221
Contract costs	22,170	20,802	9,496	11,364	16,637
Prepayments	45,205	93,003	153,375	191,325	397,986
Bank balances and cash	11,705	104,017	214,279	198,315	111,118
Total current assets . .	203,672	362,311	543,279	604,588	727,962
Trade and other payables	52,606	63,899	75,340	92,564	108,420
Financial liabilities at FVTPL	—	48,357	—	—	—
Lease liabilities	504	689	3,019	3,696	4,548
Bank borrowings	17,000	38,667	22,300	39,500	58,343
Contract liabilities	19,019	44,436	21,091	24,298	42,004
Income tax payable . . .	8,685	14,968	12,451	24,189	29,186
Total current liabilities	97,814	211,016	134,201	184,247	242,501
Net current assets . . .	105,858	151,295	409,078	420,341	485,461

Our net current assets increased from RMB420.3 million as of March 31, 2022 to RMB485.5 million as of July 31, 2022, primarily due to an increase of RMB206.7 million in our prepayments as we purchased more advertising traffic to support the expansion of our AR/VR marketing services business and to secure traffic at a favorable price, partially offset by (i) a decrease of RMB87.2 million in our bank balances and cash, (ii) an increase of RMB18.8 million in our bank borrowings, (iii) an increase of RMB17.7 million in contract liabilities mainly due to the increase

FINANCIAL INFORMATION

in advance payments from our AR/VR content business that have yet to be recognized as revenue and (iv) an increase of RMB15.9 million in our trade and other payables mainly due to the increase in our trade payables driven by our business expansion.

Our net current assets increased from RMB409.1 million as of December 31, 2021 to RMB420.3 million as of March 31, 2022, primarily due to an increase of RMB38.0 million in our prepayments and an increase of RMB37.5 million in our trade and other receivables and deposits, partially offset by an increase of RMB17.2 million in bank borrowings, an increase of RMB17.2 million in our trade and other payables and a decrease of RMB16.0 million in our bank balances and cash.

Our net current assets increased from RMB151.3 million as of December 31, 2020 to RMB409.1 million as of December 31, 2021, primarily due to an increase of RMB110.3 million in our bank balances and cash, an increase of RMB60.4 million in our prepayments, a decrease of RMB48.4 million in our financial liabilities at FVTPL, a decrease of RMB23.3 million in our contract liabilities, an increase of RMB25.9 million in our trade and other receivables and deposits and a decrease of RMB16.4 million in our bank borrowings, partially offset by a decrease of RMB11.3 million in our contract costs and an increase of RMB11.4 million in our trade and other payables and a decrease of RMB4.3 million in our inventories.

Our net current assets increased from RMB105.9 million as of December 31, 2019 to RMB151.3 million as of December 31, 2020, primarily due to an increase of RMB92.3 million in our bank balances and cash, an increase of RMB47.8 million in our prepayments and an increase of RMB43.3 million in our trade and other receivables and deposits, partially offset by an increase of RMB48.4 million in our financial liabilities at FVTPL, an increase of RMB25.4 million in the contract liabilities, an increase of RMB21.7 million in our bank loans, a decrease of RMB17.3 million in the loan receivables and an increase of RMB11.3 million in our trade and other payables.

Our net assets increased from RMB119.2 million as of December 31, 2019 to RMB179.4 million as of December 31, 2020, primarily due to our net profit of RMB60.3 million in 2020. Our net assets further increased to RMB446.6 million as of December 31, 2021, primarily due to our net profit of RMB71.7 million in 2021 and the termination of preferred rights of the shares related to our Group and conversion of preferred shares of RMB211.1 million, partially offset by modification to financial instruments of RMB15.7 million. Our net assets further increased to RMB484.8 million as of March 31, 2022, primarily due to our net profit of RMB38.2 million in the three months ended March 31, 2022. For further information, see Consolidated Statements of Changes in Equity in the Accountants' Report as set out in Appendix I to this prospectus.

FINANCIAL INFORMATION

LIQUIDITY AND CAPITAL RESOURCES

We have historically funded our cash requirements principally from proceeds from our business operations, bank borrowings, and shareholder equity contribution. After the Global Offering, we intend to finance our future capital requirements through cash generated from our business operations and bank borrowings, together with the net proceeds from the Global Offering. We do not anticipate any material changes to the availability of financing to fund our operations in the future.

As of December 31, 2019, 2020 and 2021, and March 31, 2022, we had bank balances and cash of RMB11.7 million, RMB104.0 million, RMB214.3 million and RMB198.3 million, respectively. We had net current assets as of December 31, 2019, 2020 and 2021, and March 31, 2022.

Cash Flow

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

	For the year ended December 31,			For the three months ended March 31,	
	2019	2020	2021	2021	2022
	RMB'000	RMB'000	RMB'000	RMB'000 (Unaudited)	RMB'000
Reconciliation of operating cash flows before movements in working capital to net cash from operating activities					
Operating cash flows before movements in working capital	58,275	80,079	123,039	26,596	59,759
Add:					
Changes in working capital	(27,794)	(51,035)	(80,370)	(31,118)	(71,642)
Income tax paid	(4,854)	(4,096)	(18,184)	(6,563)	(722)
Net cash (used in)/from operating activities	25,627	24,948	24,485	(11,085)	(12,605)
Net cash (used in)/from investing activities	(22,912)	1,450	(16,898)	(50,190)	(16,095)
Net cash from financing activities	5,985	65,914	102,680	21,471	12,756
Net increase/(decrease) in cash and cash equivalents	8,700	92,312	110,267	(39,804)	(15,944)
Cash and cash equivalents at the beginning of the year/period	3,005	11,705	104,017	104,017	214,279
Effect of foreign exchange rate changes .	—	—	(5)	—	(20)
Cash and cash equivalents at the end of the year/period	11,705	104,017	214,279	64,213	198,315

FINANCIAL INFORMATION

Net Cash (used in)/from Operating Activities

Our cash from operating activities consists primarily of revenue from our AR/VR marketing services, AR/VR content, AR/VR SaaS, IP and other businesses. Our cash used in operating activities consists primarily of purchase of advertising traffic, use of materials costs, subcontracting and development costs and staff costs. Cash flow generated from/(used in) operating activities reflects (i) our profit or loss before tax adjusted for non-cash and non-operating items, such as depreciation and amortization, and (ii) the effects of changes in our working capital and income tax paid.

In the three months ended March 31, 2022, we used RMB12.6 million of net cash in our operating activities. Our net cash used in operating activities is calculated by adjusting our profit before tax of RMB48.8 million by non-cash and other items in a net amount of RMB10.9 million to arrive at an operating profit before working capital changes of RMB59.8 million. The amount is further adjusted by negative changes in working capital and income tax paid of RMB0.7 million. Negative changes in working capital mainly include (i) an increase in trade and other receivables and deposits of RMB41.9 million due to the growth of our AR/VR marketing services, AR/VR content and AR/VR SaaS businesses, and (ii) an increase in prepayments of RMB37.6 million mainly for purchasing advertising traffic in connection with our AR/VR marketing services and for purchasing outsourcing services in connection with our AR/VR content business expansion, which were partially offset by an increase in trade and other payables of RMB6.3 million due to the increase in our trade payables in line with our business expansion. To improve our net operating cash outflows position, we plan to closely monitor the payment status and progress of our customers and aim to further enhance our credit management and trade receivables collection efforts by (i) actively engaging with our customers, (ii) assessing timely our customers' business positions, and (iii) making sure to designate a member of our sales team to be responsible for and follow up with a customer with trade receivables. The performance assessment of our sales team will continue to be linked to the outcome of the collection of the trade receivables. In addition, we plan to take the following measures to manage our prepayment of advertising traffic. Firstly, although we tend to acquire advertising traffic important to our operation at the beginning of the year, we aim to optimize our prepayment process by acquiring suitable amount of traffic and make adjustments to our prepayments in accordance with our business needs and market demands. Specifically, we will make plans for our prepayment at the beginning of each year taken into account financial resources available to us so that our prepayment will not exceed 80% of financial resources available to us during the year. Secondly, we plan to enhance our cooperation with suppliers to reduce the amount of the prepayments required and secure credit terms where applicable. For example, suppliers that have been in business relationship with us for more than three years tend to offer traffic at a more favorable price to us and we are able to reduce the amount of the prepayments. Thirdly, we also plan to designate Ms. Zuo Yanhong, our finance vice president, to be responsible for managing and monitoring our operating cash position to maintain our liquidity at a stable and sufficient level and ensure that our cash needs can be met timely and at reasonable costs. We plan to obtain quotes from the market regularly to ensure that the price of our traffic is not less favorable than the market price. Fourthly, in addition to making annual plans,

FINANCIAL INFORMATION

we plan to conduct quarterly review of our cash position and make budgets for the coming quarter in order to timely estimate the amount of our cash needs and manage our liquidity. We will review and make plans for prepayment in the coming quarter to ensure that our prepayment will not exceed 80% of financial resources available to us.

In 2021, we generated RMB24.5 million in net cash from our operating activities. Our net cash generated from operating activities is calculated by adjusting our profit before tax of RMB87.1 million by non-cash and other items in a net amount of RMB35.9 million to arrive at an operating profit before working capital changes of RMB123.0 million. The amount is further adjusted by negative changes in working capital and income tax paid of RMB18.2 million. Negative changes in working capital mainly include (i) an increase in prepayments of RMB60.4 million mainly for purchasing advertising traffic in connection with our AR/VR marketing services and for purchasing outsourcing services in connection with our AR/VR content business expansion, (ii) a decrease in contract liabilities of RMB23.3 million primarily as we completed the performance of certain AR/VR marketing services and delivered AR/VR content and IPs in relation to the contract liabilities in 2021, (iii) an increase in trade and other receivables and deposits of RMB21.4 million due to the growth of our AR/VR marketing services, AR/VR content and AR/VR SaaS businesses, which were partially offset by (i) a decrease in contract costs of RMB10.3 million mainly driven by a decrease in the setup cost to provide our AR/VR content, and (ii) an increase in trade and other payables of RMB10.2 million due to the increase in our other tax payable as a result of increase in VAT driven by our overall business growth and the increase in our accrued listing expense and shares issue costs in connection with the Global Offering.

In 2020, we generated RMB24.9 million in net cash from our operating activities. Our net cash generated from operating activities is calculated by adjusting our profit before tax of RMB70.4 million by non-cash and other items in a net amount of RMB9.7 million to arrive at an operating profit before working capital changes of RMB80.1 million. The amount is further adjusted by negative changes in working capital and income tax paid of RMB4.1 million. Negative changes in working capital mainly included (i) an increase in prepayments of RMB47.8 million mainly for purchasing advertising traffic in connection with our AR/VR marketing services and (ii) an increase in trade and other receivables of RMB45.6 million due to the growth of our AR/VR marketing services, AR/VR content and AR/VR SaaS businesses, which were partially offset by (i) an increase in contract liabilities of RMB25.4 million primarily due to an increase in advance payments from our customers in relation to our AR/VR marketing services, (ii) an increase in trade and other payables of RMB9.5 million due to the increase in our purchase of advertising traffic, and (iii) a decrease in inventories of RMB6.1 million as a result of the decrease in our purchases of inventories.

In 2019, we generated RMB25.6 million in net cash from our operating activities. Our net cash generated from operating activities is calculated by adjusting our profit before tax of RMB48.3 million by non-cash and other items in a net amount of RMB9.9 million to arrive at an operating profit before working capital changes of RMB58.3 million. The amount is further adjusted by negative changes in working capital and income tax paid of RMB4.9 million. Negative

FINANCIAL INFORMATION

changes in working capital mainly included (i) an increase in prepayments of RMB40.7 million, for purchasing advertising traffic in connection with our AR/VR marketing services, (ii) an increase in contract costs of RMB22.2 million due to an increase in the setup cost to provide our AR/VR content, and (iii) a decrease in trade and other payables of RMB3.9 million due to our timely settlement of purchases of advertising traffic in connection with our AR/VR marketing services, which were partially offset by (i) an increase in contract liabilities of RMB19.0 million as a result of an increase in advance payments from our customers in relation to our AR/VR content and AR/VR marketing services, (ii) a decrease in inventories of RMB13.1 million as a result of the decrease in our purchases of inventories, and (iii) a decrease in trade and other receivables of RMB6.8 million primarily due to our enhanced customer credit management.

Net Cash (Used in)/from Investing Activities

Our cash used in investing activities consists primarily of purchase of intangible assets, loans to our suppliers, and purchase of property, plant and equipment. Our cash generated from investing activities consists primarily of proceeds from disposals of intangible assets, the repayment of loans by our suppliers and interest income from loans to our suppliers.

In the three months ended March 31, 2022, our net cash flows used in investing activities were RMB16.1 million, primarily attributable to the (i) purchase of intangible assets of RMB15.1 million in relation to our AR/VR marketing services, AR/VR content and AR/VR SaaS businesses, and (ii) purchase of property, plant and equipment of RMB1.1 million.

In 2021, our net cash flows used in investing activities were RMB16.9 million, primarily attributable to (i) purchase of intangible assets of RMB15.1 million in relation to our AR/VR marketing services, AR/VR content and AR/VR SaaS businesses, and (ii) purchase of property, plant and equipment of RMB2.6 million. This was partially offset by our interest income of RMB0.8 million.

In 2020, our net cash flows generated from investing activities were RMB1.5 million, primarily attributable to (i) a decrease in loan receivables of RMB17.5 million due to the repayment of one-off loans that we provided to two of our suppliers in 2019, (ii) proceeds from our disposal of intangible assets of RMB2.0 million, and (iii) interest income of RMB1.4 million. This was partially offset by (i) purchase of intangible assets of RMB19.0 million in relation to our AR/VR marketing services, AR/VR content and AR/VR SaaS businesses, and (ii) purchase of property, plant and equipment of RMB0.4 million.

In 2019, our net cash flows used in investing activities were RMB22.9 million, primarily attributable to (i) an increase of loan receivables of RMB17.5 million, which were in relation to one-off loans that we provided to two of our suppliers, and (ii) purchase of intangible assets of RMB5.5 million. This was partially offset by our interest income of RMB0.1 million.

FINANCIAL INFORMATION

Net Cash from Financing Activities

Our cash generated from financing activities consists primarily of proceeds from bank borrowings and proceeds from issue of shares. Our cash used in financing activities consists primarily of our repayment of bank borrowings, payment of interest on bank borrowings and repayment of lease liabilities.

In the three months ended March 31, 2022, our net cash flows generated from financing activities were RMB12.8 million, primarily attributable to the proceeds from bank borrowings of RMB21.7 million. This was partially offset by (i) our repayment of bank borrowings of RMB4.5 million, and (ii) payment of shares issue costs of RMB3.8 million.

In 2021, our net cash flows generated from financing activities were RMB102.7 million, primarily attributable to (i) the proceeds from issuance of shares of RMB125.5 million from Pre-IPO Investors, (ii) the proceeds from bank borrowings of RMB24.7 million. This was partially offset by (i) our repayment of bank borrowings of RMB41.1 million, (ii) our repayment of lease liabilities of RMB3.4 million, and (iii) payment of interest of RMB1.8 million.

In 2020, our net cash flows generated from financing activities were RMB65.9 million, primarily attributable to (i) the proceeds from issuance of shares of RMB47.0 million from Pre-IPO Investors, (ii) the proceeds from bank borrowings of RMB44.4 million. This was partially offset by (i) our repayment of bank borrowings of RMB22.7 million, (ii) payment of interest of RMB1.9 million, and (iii) our repayment of lease liabilities of RMB0.8 million.

In 2019, our net cash flows generated from financing activities were RMB6.0 million, primarily attributable to the proceeds from bank borrowings of RMB19.0 million. This was partially offset by (i) our repayment of bank borrowings of RMB11.0 million, (ii) our repayment of lease liabilities of RMB1.0 million, and (iii) payment of interest of RMB1.1 million.

WORKING CAPITAL SUFFICIENCY

Our Directors are of the opinion that after taking into account the existing financial resources available to us, including cash flow from operating activities, bank balances and cash, bank borrowings, unutilized banking facilities and the estimated net proceeds from the Global Offering, we have sufficient working capital for our present requirements, that is, for at least the next 12 months from the date of this prospectus.

FINANCIAL INFORMATION

KEY FINANCIAL RATIOS

The following table sets forth our key financial ratios for the periods indicated:

	As of/For the year ended December 31,			As of/For the three months ended March 31,
	2019	2020	2021	2022
Gross margin ⁽¹⁾	30.0%	30.9%	29.5%	32.0%
Net profit margin ⁽²⁾	16.7%	17.8%	12.0%	16.7%
Return on equity ⁽³⁾	42.6%	40.4%	22.9%	N/A
Return on assets ⁽⁴⁾	22.7%	19.8%	14.7%	N/A
Current ratio ⁽⁵⁾	2.1	1.7	4.0	3.3
Gearing ratio ⁽⁶⁾	4.9%	Net cash	Net cash	Net cash

Notes:

1. Gross margin equals gross profit divided by revenue for the period and multiplied by 100%. See the paragraph headed “Description of Major Components of Our Results of Operations — Gross Profit and Gross Margin” in this section for more details on our gross margins.
2. Net profit margin equals profit for the period divided by revenue for the period and multiplied by 100%. See the paragraphs headed “— Three Months Ended March 31, 2022 Compared to Three Months Ended March 31, 2021”, “— Year Ended December 31, 2021 Compared to Year Ended December 31, 2020” and “— Year Ended December 31, 2020 Compared to Year Ended December 31, 2019” in this section for more details on our net profit margins.
3. Return on equity equals profit for the period divided by average balance of total equity at the beginning and the end of that period, then multiplied by 100%.
4. Return on assets equals profit for the period divided by average balance of total assets at the beginning and the end of that period, then multiplied by 100%.
5. Current ratio equals total current assets divided by total current liabilities as of the dates indicated.
6. Gearing ratio equals net debt divided by total equity as of the end of the period and multiplied by 100%. Net debt equals bank borrowings and lease payables less bank balances and cash as of the end of the period.

Return on Equity

Our return on equity for 2019, 2020 and 2021 was 42.6%, 40.4% and 22.9%, respectively. Our return on equity decreased from 42.6% in 2019 to 40.4% in 2020, primarily attributable the increase in our equity resulting from the increased retained earnings. Our return on equity further decreased from 40.4% in 2020 to 22.9% in 2021, primarily because our equity increased at a higher rate than our profit for the year. This calculation is not applicable for the three months

FINANCIAL INFORMATION

ended March 31, 2022 as calculation using profit for the three months ended March 31, 2022 is not comparable to the one using profit for the year and the profit for the three months ended March 31, 2022 cannot be meaningfully annualized.

Return on Assets

Our return on assets for 2019, 2020 and 2021 was 22.7%, 19.8% and 14.7%, respectively. Our return on assets decreased from 22.7% in 2019 to 19.8% in 2020 and further decreased to 14.7% in 2021, primarily due to the increase in total assets which was further attributable to the increased bank balances for capital raised from equity financing. This calculation is not applicable for the three months ended March 31, 2022 as calculation using profit for the three months ended March 31, 2022 is not comparable to the one using profit for the year and the profit for the three months ended March 31, 2022 cannot be meaningfully annualized.

Current Ratio

Our current ratio as of December 31, 2019, 2020 and 2021 and March 31, 2022 was 2.1, 1.7, 4.0 and 3.3, respectively. Our current ratio decreased from 2.1 as of December 31, 2019 to 1.7 as of December 31, 2020, primarily due to an increase in our current liabilities particularly in our financial liabilities at FVTPL and contract liabilities. Our current ratio increased from 1.7 as of December 31, 2020 to 4.0 as of December 31, 2021, primarily due to an increase in our current assets, particularly in our bank balances and cash and prepayments. Our current ratio decreased from 4.0 as of December 31, 2021 to 3.3 as of March 31, 2022, primarily due to an increase in our current liabilities particularly in our bank borrowings and trade and other payables.

Gearing ratio

Our gearing ratio as of December 31, 2019 was 4.9%. This calculation is not applicable as of December 31, 2020 and 2021 and March 31, 2022 as we were in net cash position.

CAPITAL EXPENDITURES

Our capital expenditures consist of expenditures on (i) intangible assets, including our software and adaptation rights of IPs, (ii) right-of-use assets for leased offices and (iii) property, plant and equipment for servers, computer equipment and office furniture.

FINANCIAL INFORMATION

The following table sets forth our capital expenditures for the periods indicated:

	For the year ended December 31,			For the three months ended March 31,
	2019	2020	2021	2022
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
Intangible assets	5,179	20,767	14,270	28,362
Right-of-use assets	—	1,185	8,279	—
Property, plant and equipment	31	338	2,301	975
Total	5,210	22,290	24,850	29,337

In 2019, 2020 and 2021, and the three months ended March 31, 2022, our capital expenditures related primarily to the acquisition of intangible assets. We funded these expenditures mainly with cash generated from our operations.

We estimate that our capital expenditures for the year ending December 31, 2022 will be used primarily for our purchase of property, plant and equipment and intangible assets. We expect to fund these capital expenditures through a combination of cash generated from our operations, bank borrowings, unutilized banking facilities and the net proceeds received from the Global Offering.

RELATED PARTY TRANSACTIONS

We enter into transactions with our related parties from time to time. Mr. Wang, our Controlling Shareholder, made two short-term cash advances in a total amount of RMB9.3 million to us in 2020, both of which were interest-free, unsecured, repayable on demand and were fully repaid by us by December 31, 2020. Mr. Wang made the cash advances to enable us to meet our temporary funding needs to repay part of our bank loans due at that time so that we were able to maintain sufficient general working capital and liquidity. Our Directors are of the view that each of the related party transactions set out in Note 35 to the Accountants' Report in Appendix I to this prospectus was conducted in the ordinary course of business on an arm's length basis and with normal commercial terms between the relevant parties. Our Directors are also of the view that our related party transactions during the Track Record Period would not distort our track record results or cause our historical results to become non-reflective of our future performance.

OFF-BALANCE SHEET COMMITMENTS AND ARRANGEMENTS

As of the Latest Practicable Date, we did not have any material off-balance sheet commitments or arrangements.

FINANCIAL INFORMATION

FINANCIAL RISKS DISCLOSURE

Our activities expose us to a variety of financial risks, mainly market risk, credit risk and liquidity risk. Our overall risk management program focuses on the unpredictability of financial markets and seeks to minimize potential adverse effects on our financial performance.

Market Risk

Our activities expose us primarily to the financial risks of interest rates and other price risk.

Interest rate risk management

We are exposed to fair value interest rate risk in relation to fixed-rate loan receivables, fixed-rate bank borrowings, lease liabilities and financial liabilities at FVTPL. We are also exposed to cash flow interest rate risk in relation to variable-rate bank balances and variable-rate bank borrowings due to the fluctuation of the prevailing market interest rate on bank deposits and bank borrowings carried at prevailing market interest rates based on or by reference to the LPR.

We currently do not have interest rate hedging policy. However, our management will consider hedging significant interest rate exposure should the need arise.

Sensitivity analysis

The sensitivity analyses have been determined based on the exposure to interest rates for bank borrowings at variable rate as of December 31, 2019, 2020 and 2021, and March 31, 2022. The analysis is prepared assuming the financial instruments outstanding as of December 31, 2019, 2020 and 2021, and March 31, 2022 were outstanding for the whole year or period. The bank balances are excluded from the sensitivity analysis as our management considers that the interest rate fluctuating is insignificant.

If variable rate bank borrowings had been 50 basis points higher/lower and all other variables were held constant, our post-tax profit for the year would decrease/increase by approximately RMB43,000, RMB42,000, nil and RMB9,000 for 2019, 2020 and 2021, and the three months ended March 31, 2022.

FINANCIAL INFORMATION

Other price risk

We are exposed to price risk in respect of our shares with preferred rights and preferred shares measured as financial liabilities at FVTPL, fair value of which are affected by changes in our equity value. For further details on sensitive analysis, see Note 33 in the Accountants' Report in Appendix I to this prospectus.

Credit Risk

As of December 31, 2019, 2020 and 2021 and March 31, 2022, our maximum exposure to credit risk which will cause a financial loss to us is due to failure to discharge an obligation by the counterparties. Our credit risk is mainly associated with bank balances and cash, trade and other receivables and deposits, and loan receivables.

In order to minimize the credit risk, our management continuously monitors the credit quality and financial conditions of the debtors to ensure that follow-up action is taken to recover overdue debts.

To manage risk arising from receivable balances, we have policies in place to ensure that credit terms are made to counterparties with an appropriate credit history and the management performs ongoing credit evaluations of our counterparties. The credit period granted to the customers and the credit quality of these customers is assessed, which takes into account their financial position, past experience and other factors.

We have concentration of credit risk as 11.8%, 9.8%, 16.2% and 16.5% of the total trade receivables were due from our largest debtor, namely the customer with the largest trade receivables balance as of December 31, 2019, 2020 and 2021 and March 31, 2022, respectively, 47.8%, 29.4%, 43.9% and 38.4% of the total trade receivables were due from our top five debtors, namely the customers with five largest trade receivables balance as of December 31, 2019, 2020 and 2021 and March 31, 2022, respectively.

We re-assess lifetime ECL for trade receivables arising from contracts with customers to ensure that adequate impairment losses are made for significant increases in the likelihood or risk of a default occurring. The ECL on trade receivables are individually assessed for debtors with significant increases in credit risk or credit-impaired and collectively using a provision matrix with appropriate groupings for the remaining balance. As of December 31, 2019, 2020 and 2021 and March 31, 2022, trade receivables with gross carrying amounts of nil, RMB7.0 million, RMB1.1 million and RMB10.3 million were credit impaired and assessed individually. The trade receivables

FINANCIAL INFORMATION

that were credit impaired and assessed individually during the Track Record Period were mainly with customers whose trade receivables were long outstanding and customers who showed signs of credit risk including involvement in litigations.

For further details of our credit risk, see Note 33 in the Accountants' Report in Appendix I to this prospectus.

Liquidity Risk

In the management of liquidity risk, our management monitors and maintains a level of cash and cash equivalents deemed adequate by management to finance our operations and mitigate the effects of unexpected fluctuations in cash flows. For further details of our liquidity risk, see Note 33 in the Accountants' Report in Appendix I to this prospectus.

DIVIDENDS

Our Company is a holding company incorporated under the laws of the Cayman Islands. We do not have a pre-determined dividend payout ratio. Any dividends we pay will be at the discretion of our Directors and will depend on our future operations and earnings, capital requirements and surplus, general financial condition, contractual restriction and other factors our Directors consider relevant. Any declaration and payment as well as the amount of dividends will be subject to our Memorandum of Association and Articles of Association and the Cayman Companies Act. Our Shareholders in a general meeting may approve any declaration of dividends, which must not exceed the amount recommended by our Board. As advised by our Cayman legal advisor, Ogier, no dividends may be declared or paid other than out of profits and reserves of our Company lawfully available for distribution, including share premium, provided that in no circumstances may the dividend be paid if this would result in our Company being unable to pay its debts as they fall due in the ordinary course of business. As such, a position of net liabilities or accumulated losses may not necessarily restrict us from declaring and paying dividends to our Shareholders.

The payment and amount of any future dividends will also depend on the availability of dividends received from our subsidiaries. PRC laws require that dividends be paid only out of the profit for the year calculated according to PRC accounting principles, which differ in many aspects from the generally accepted accounting principles in other jurisdictions, including IFRS.

During the Track Record Period, we did not declare or pay any dividend.

FINANCIAL INFORMATION

DISTRIBUTABLE RESERVES

Our Company was incorporated in the Cayman Islands on June 24, 2021 and has not carried out any business since the date of incorporation. As of March 31, 2022, our Company did not have any distributable reserves.

LISTING EXPENSES

The total Listing expenses borne or to be borne by us are estimated to be approximately RMB62.2 million (equivalent to approximately HK\$70.4 million) (comprising (i) underwriting commission of approximately RMB27.4 million, and (ii) non-underwriting related expenses of approximately RMB34.8 million, which consist of fees and expenses of legal advisors and Reporting Accountants of approximately RMB26.5 million and other fees and expenses of approximately RMB8.3 million), accounting for approximately 10.2% of the gross proceeds of the Global Offering, assuming an Offer Price of HK\$2.55 per Share, which is the mid-point of the indicative Offer Price range stated in this prospectus and assuming that the Over-allotment Option is not exercised. We expect that approximately RMB28.8 million (equivalent to approximately HK\$32.6 million) will be charged to our statements of profit or loss and other comprehensive income as Listing expenses, and approximately RMB33.4 million (equivalent to approximately HK\$37.8 million) will be accounted for as a deduction from equity upon the Listing. The Listing expenses above are the latest practicable estimate for reference only, and the actual amount may differ from this estimate. Our Directors do not expect such Listing expenses to have a material adverse impact on our results of operation for the year ending December 31, 2022.

UNAUDITED PRO FORMA ADJUSTED NET TANGIBLE ASSETS

The following is an illustrative and pro forma statement of adjusted net tangible assets of our Group which has been prepared in accordance with Rule 4.29 of the Listing Rules for illustrative purposes only, and is set out below to illustrate the effect of the Global Offering on the consolidated net tangible assets of our Group attributable to the owners of our Company as of March 31, 2022 as if the Global Offering had taken place on March 31, 2022.

FINANCIAL INFORMATION

The unaudited pro forma statement of adjusted consolidated net tangible assets of our Group attributable to owners of our Company has been prepared for illustrative purposes only and because of its hypothetical nature, it may not give a true picture of the consolidated net tangible assets of our Group attributable to owners of the Company had the Global Offering been completed as of March 31, 2022 or any future date.

	Audited Consolidated Net Tangible Assets of our Group Attributable to Owners of our Company as of March 31, 2022 ⁽¹⁾	Estimated Net Proceeds from the Global Offering ⁽²⁾	Unaudited Pro Forma Adjusted Consolidated Net Tangible Assets Attributable to Owners of our Company as of March 31, 2022	Unaudited Pro Forma Adjusted Consolidated Net Tangible Assets of our Group attributable to owners of our Company as of March 31, 2022 per Share ⁽³⁾⁽⁴⁾	
	RMB'000	RMB'000	RMB'000	RMB	HK\$
Based on an Offer Price of HK\$2.21 per Offer Share.	428,013	485,466	913,479	0.50	0.57
Based on an Offer Price of HK\$2.88 per Offer Share.	428,013	638,848	1,066,861	0.59	0.67

Notes:

1. The audited consolidated net tangible assets of our Group attributable to owners of our Company as of March 31, 2022 is extracted from the Accountants' Report set out in Appendix I to this prospectus, which has been calculated based on the audited consolidated net assets of our Group attributable to owners of our Company as of March 31, 2022 of RMB481,962,000 less intangible assets as of March 31, 2022 of approximately RMB53,949,000.
2. The estimated net proceeds from the issue of the Offer Shares pursuant to the Global Offering are based on 271,500,000 Offer Shares at the Offer Price of lower limit and upper limit of HK\$2.21 and HK\$2.88 per Offer Share, respectively, after deduction of the estimated underwriting commissions and fees and other related expenses incurred and to be incurred by our Company (excluding listing expenses of RMB14,279,000 which have been charged to profit or loss up to March 31, 2022). The calculation of such estimated net proceeds does not take into account any Shares which may be allotted and issued pursuant to the exercise of Over-Allotment Option, or any Shares which may be issued pursuant to the exercise of options which may be granted under the Post-IPO Share Option Scheme, or any Shares which may be issued or repurchased by our Company pursuant to the general mandates granted to the Directors to issue or repurchase Shares as described in the section headed "Share Capital" in this prospectus.

The estimated net proceeds from the Global Offering are converted from Hong Kong dollars into Renminbi at an exchange rate of HK\$1 to RMB0.8830, which was the exchange rate published by the People's Bank of China ("PBOC rate") prevailing on September 16, 2022. No representation is made that Hong Kong dollars amounts have been, could have been or may be converted to Renminbi, or vice versa, at that rate or at any other rates or at all.

FINANCIAL INFORMATION

3. The unaudited pro forma adjusted consolidated net tangible assets of our Group attributable to owners of our Company per Share is arrived at after adjustments referred to in the preceding paragraphs and on the basis of a total of 1,810,000,000 Shares (including Shares in issue as of the date of this prospectus, Shares to be issued pursuant to the Capitalization Issue and Shares to be issued pursuant to the Global Offering). It does not take into account any Shares which may be allotted and issued pursuant to the exercise of the Over-Allotment Option, or any Shares which may be issued pursuant to the exercise of options which may be granted under the Post-IPO Share Option Scheme, or any Shares which may be issued or repurchased by our Company pursuant to the general mandates granted to our Directors to issue or repurchase Shares as described in the section headed “Share Capital” in this prospectus.
4. The unaudited pro forma adjusted consolidated net tangible assets of our Group attributable to owners of our Company per Share is converted into Hong Kong dollars at a rate of RMB0.8830 to HK\$1.00, which was the PBOC rate prevailing on September 16, 2022. No representation is made that Renminbi amounts have been, could have been or may be converted to Hong Kong dollars, or vice versa, at that rate or at any other rates or at all.
5. No adjustment has been made to the unaudited pro forma adjusted consolidated net tangible assets of the Group attributable to owners of our Company as of March 31, 2022 to reflect any operating result or other transactions of our Group entered into subsequent to March 31, 2022.

NO MATERIAL ADVERSE CHANGE

Our Directors have confirmed that, up to the date of this prospectus, there has been no material adverse change in our financial or trading position or prospects since March 31, 2022, being the end date of our latest audited historical financial information, and there has been no event since March 31, 2022 that would materially affect the information shown in the Accountants’ Report set out in Appendix I.

DISCLOSURE REQUIRED UNDER RULES 13.13 TO 13.19 OF THE LISTING RULES

Our Directors have confirmed that, as of the Latest Practicable Date, they were not aware of any circumstances that would give rise to a disclosure requirement under Rules 13.13 to Rules 13.19 of the Listing Rules.

RELATIONSHIP WITH CONTROLLING SHAREHOLDERS

OVERVIEW

Over the course of our business history, Mr. Wang and Mr. Li have been acting in concert with each other in exercising and implementing the management and operations of our subsidiaries. On December 13, 2021, Mr. Wang and Mr. Li entered into a concert party agreement, pursuant to which Mr. Wang and Mr. Li confirmed, among other things, that since they became shareholders and/or beneficial owners of Ophyer Technology or any member of our Group, they have been cooperating and are parties acting in concert with respect to the matters of Ophyer Technology, and shall continue to do so until the termination of such concert party agreement, and that they have been and shall continue to give unanimous consent, approval or rejection on any material issues and decision in relation to the business of our Company and the relevant members of our Group.

Immediately following the completion of the Capitalization Issue and the Global Offering, assuming the Over-allotment Option is not exercised, and without taking into account any Shares to be issued upon the exercise of options which may be granted under the Post-IPO Share Option Scheme, Wang BVI (wholly-owned by Mr. Wang), Li BVI (wholly-owned by Mr. Li), and the Wang Family Trust will, through Brainstorming Cafe (an investment holding company) be entitled to control the exercise of voting rights of approximately 42.21% of the enlarged issued share capital of our Company. Mr. Wang is the settlor and protector of the Wang Family Trust. Accordingly, Mr. Wang, Mr. Li, Wang BVI, Li BVI, Cyber Warrior and Brainstorming Cafe will together constitute a group of Controlling Shareholders under the Listing Rules. For further background of Mr. Wang and Mr. Li, see the section headed “Directors and Senior Management” in this prospectus.

Each of Wang BVI, Li BVI, Cyber Warrior and Brainstorming Cafe is an investment holding company without any actual business. As of the Latest Practicable Date, each of them had only invested in our Company. None of our Controlling Shareholders is engaged or interested in any business which is, whether directly or indirectly, in competition or likely to compete with our business. To ensure that competition will not exist in the future, Mr. Wang, Mr. Li, Wang BVI, Li BVI and Brainstorming Cafe have entered into the Deed of Non-Competition in favor of our Company to the effect that each of them will not, and will procure each of their respective close associates not to, directly or indirectly participate in, or hold any right or interest, or otherwise be involved in any business which may be in competition with our businesses.

DEED OF NON-COMPETITION

In order to avoid any potential competition between Mr. Wang, Mr. Li, Wang BVI, Li BVI and Brainstorming Cafe and our Group, each of Mr. Wang, Mr. Li, Wang BVI, Li BVI and Brainstorming Cafe has undertaken to us in the Deed of Non-Competition that he/it will not, and

RELATIONSHIP WITH CONTROLLING SHAREHOLDERS

will procure his/its close associates (other than members of our Group) not to, during the Restricted Period (as defined below) as set out below, directly or indirectly, either on his/its own account or in conjunction with or on behalf of any person, firm or company (except through any member of our Group), among others, carry on, participate, be interested or involved in, undertake, acquire or hold (in each case whether as a shareholder, director, partner, agent, employee, or otherwise, and whether for profit, reward or otherwise) any business (other than our business) that directly or indirectly competes, or may compete, with (a) the existing business activities of our Group as set out in the section headed “Business” in this prospectus and (b) any other business from time to time conducted, entered into, engaged in or invested in by any member of our Group or which our Company has otherwise published an announcement on the website of the Stock Exchange stating its intention to conduct, enter into, engage in or invest in (the “**Restricted Activity**”) (whether alone or jointly with another person and whether directly or indirectly or on behalf of or to assist or act in concert with any other person), or hold shares or interest in any companies or business that compete directly or indirectly with the business engaged by our Group from time to time except where Mr. Wang, Mr. Li, Wang BVI, Li BVI and Brainstorming Cafe hold less than 5% of the total issued share capital of any company (whose shares are listed on the Stock Exchange or other recognised stock exchange) which is engaged in any business that is or may be in competition with any business engaged by any member of our Group and they do not control 10% or more of the composition of the board of directors of such company.

“**Restricted Period**” shall mean the period commencing from the Listing date and ending on the occurrence of the earliest of (i) the date on which Mr. Wang, Mr. Li, Wang BVI, Li BVI and Brainstorming Cafe cease to be interested in 30% (or such other amount as may from time to time be specified in the Listing Rules as being the threshold for determining a controlling shareholder of a company) or more of the entire issued share capital of our Company; or (ii) the date on which the Shares cease to be listed on the Main Board of the Stock Exchange; or (iii) the date on which Mr. Wang, Mr. Li, Wang BVI, Li BVI or Brainstorming Cafe beneficially own or become interested jointly or severally in the entire issued share capital of our Company.

Further, each of Mr. Wang, Mr. Li, Wang BVI, Li BVI and Brainstorming Cafe has undertaken to procure that if any new business investment or other business opportunity relating to the Restricted Activity (the “**Competing Business Opportunity**”) is identified by or made available to him/it or any of his/its close associates, he/it shall, and shall procure that his/its close associates shall, refer such Competing Business Opportunity to our Company on a timely basis and in the following manner:

- refer the Competing Business Opportunity to our Company by giving written notice (the “**Offer Notice**”) to our Company of such Competing Business Opportunity within 30 business days of identifying the target company (if relevant) and the nature of the

RELATIONSHIP WITH CONTROLLING SHAREHOLDERS

Competing Business Opportunity, the investment or acquisition costs and all other details reasonably necessary for our Company to consider whether to pursue such Competing Business Opportunity;

- upon receiving the Offer Notice, our Company shall seek approval from our Board or a board committee (in each case comprising only independent non-executive Directors) which has no interest in the Competing Business Opportunity (the “**Independent Board**”) as to whether to pursue or decline the Competing Business Opportunity (any Director who has an actual or potential interest in the Competing Business Opportunity shall abstain from attending (unless their attendance is specifically requested by the Independent Board) and voting at, and shall not be counted in the quorum for, any meeting convened to consider such Competing Business Opportunity);
- the Independent Board shall take into account all relevant factors in considering whether our Company shall pursue the Competing Business Opportunity. Such factors may include, among other things, the financial impact of pursuing the Competing Business Opportunity offered, whether the nature of the Competing Business Opportunity is consistent with our Group’s strategies and development plans and the general market conditions of our business. If appropriate, the Independent Board may appoint independent financial advisors and legal advisors to assist in the decision-making process in relation to such Competing Business Opportunity;
- the Independent Board shall, within 30 business days of receipt of the Offer Notice referred above, inform our Controlling Shareholders in writing on behalf of our Company its decision whether to pursue or decline the Competing Business Opportunity;
- Mr. Wang, Mr. Li, Wang BVI, Li BVI and Brainstorming Cafe shall be entitled but not obliged to pursue such Competing Business Opportunity if he/it has received a notice from the Independent Board declining such Competing Business Opportunity or if the Independent Board failed to respond within such 30 business days’ period mentioned above; and
- if there is any material change in the nature, terms or conditions of such Competing Business Opportunity pursued by Mr. Wang, Mr. Li, Wang BVI, Li BVI and Brainstorming Cafe, he/it shall refer such revised Competing Business Opportunity to our Company as if it were a new Competing Business Opportunity.

RELATIONSHIP WITH CONTROLLING SHAREHOLDERS

The Deed of Non-Competition will lapse automatically if Mr. Wang, Mr. Li, Wang BVI, Li BVI and Brainstorming Cafe and their close associates cease to hold, whether directly or indirectly, 30% of our Shares or our Shares cease to be listed on the Stock Exchange.

INDEPENDENCE FROM CONTROLLING SHAREHOLDERS

Having considered the following factors, our Directors are satisfied that we are capable of carrying on our business independently from our Controlling Shareholders and their respective close associates after the Global Offering.

Management Independence

Our Board comprises seven Directors, being four executive Directors and three independent non-executive Directors. Other than Mr. Wang and Mr. Li who are also our Controlling Shareholders, none of the other Directors, who forms the majority of our Board, is a Controlling Shareholder. Save for the fact that as of the Latest Practicable Date, (i) Mr. Wang, our executive Director, also acted as a director in Brainstorming Cafe and Wang BVI, and a general partner in Shanghai Wangyue, Shanghai Shiao, Shanghai Yuan Su Enterprise Management Center (Limited Partnership)* (上海遠蘇企業管理諮詢中心(有限合夥)) and Chuzhou Huina Enterprise Management Consulting Center Partnership (Limited Partnership)* (滁州惠納企業管理諮詢中心合夥企業(有限合夥)) (all being investment holding companies or limited partnerships which do not have actual business); (ii) Mr. Li, our executive Director, also acted as a director in Li BVI and a general partner in Shanghai Ziqing Enterprise Management Consulting Center (Limited Partnership)* (上海子慶企業管理諮詢中心(有限合夥)) (all being investment holding company or limited partnership which do not have actual business), there were no other overlapping directors nor senior management members in the companies or partnerships controlled by our Controlling Shareholders. Our day-to-day management and operational decisions are made by our executive Directors and senior management, most of whom have served us for more than three years and have substantive industry experience. See the section headed “Directors and Senior Management” in this prospectus.

Each of our Directors is aware of his/her fiduciary duties as a director that require, among other things, that he/she acts for the benefit and in the interests of our Company and does not allow any conflict between his/her duties as our Director and his/her personal interests. In the event that there is a potential conflict of interest arising out of any transaction to be entered into between our Group and our Directors or their respective close associates, the interested Director(s) is required to declare the nature of such interest before voting at the relevant Board meetings of our Company in respect of such transactions. In addition, the interested Director shall abstain from voting at the relevant Board meetings of our Company in respect of such transactions and shall not be counted towards the quorum.

RELATIONSHIP WITH CONTROLLING SHAREHOLDERS

We have adopted a series of corporate governance measures to manage conflicts of interest, if any, between our Group and our Controlling Shareholders which would support our independent management. See the paragraph headed “— Corporate Governance Measures” in this section below for details.

Having considered the above factors, our Directors are satisfied that they are able to perform their roles in our Company independently, and our Directors are of the view that we are capable of managing our business independently from our Controlling Shareholders and their respective close associates following the completion of the Global Offering.

Operational Independence

We have sufficient capital, facilities and employees to operate our business independently from our Controlling Shareholders. We also have independent access to our customers and suppliers. We are in possession of all relevant licenses, trademarks and intellectual property right and an independent management team necessary carry on and to operate our business. To the best knowledge of our Directors, all of our suppliers are Independent Third Parties. Thus, our Directors are satisfied that we will be able to function and operate independently from our Controlling Shareholders and their respective close associates.

In addition, pursuant to the Contractual Arrangements, our Directors are authorized to exercise all of the rights of the shareholders of our Consolidated Affiliated Entities, and our Group is entitled to enjoy all the economic benefits of our Consolidated Affiliated Entities and to exercise management control over the operations of our Consolidated Affiliated Entities. Pursuant to the Exclusive Option Agreements, Beijing Flowing Cloud (or its designated third party) has been granted an exclusive, unconditional and irrevocable option to purchase from the Registered Shareholders and Ophyer Technology all or part of the equity interest in and/or the relevant assets of the Consolidated Affiliated Entities at the lowest price permitted under the PRC laws and regulations.

Based on the above, our Directors believe that we are able to operate independently of our Controlling Shareholders.

Financial Independence

We have independent internal control and accounting systems. We also have an independent finance department responsible for discharging the treasury function. We are capable of obtaining financing from third parties, if necessary, without reliance on our Controlling Shareholders.

RELATIONSHIP WITH CONTROLLING SHAREHOLDERS

As of the Latest Practicable Date, (i) we did not have any outstanding loans or borrowing from our Controlling Shareholders or any of his/its close associates; (ii) no borrowings were guaranteed or counter guaranteed by Mr. Wang, our Controlling Shareholder, and his close associate; and (iii) our unutilized banking facilities amounted to approximately RMB18.7 million. No loans or guarantees provided by, or granted to, any of the Controlling Shareholders or their respective close associates in favor of our Group will be outstanding as of the Listing Date.

Based on the above, our Directors are of the view that they and our senior management are capable of carrying on our business independently of, and do not place undue reliance on our Controlling Shareholders and their close associates after the Global Offering.

CONFIRMATION PURSUANT TO RULE 8.10 OF THE LISTING RULES

Our Controlling Shareholders confirm that as of the Latest Practicable Date, they did not have any interest in a business, apart from the businesses of our Group, which competes or is likely to compete, directly or indirectly, with our businesses, which would require disclosure under Rule 8.10 of the Listing Rules.

CORPORATE GOVERNANCE MEASURES

Each of our Controlling Shareholders has confirmed that he/it fully comprehends his/its obligations to act in our Shareholders' best interests as a whole. Our Directors believe that there are adequate corporate governance measures in place to manage existing and potential conflicts of interest. In order to further avoid potential conflicts of interest, we have implemented the following measures:

- (a) as part of our preparation for the Global Offering, we have amended our Articles to comply with the Listing Rules. In particular, our Articles provided that, unless otherwise provided, a Director shall not vote on any resolution approving any contract or arrangement or any other proposal in which such Director or any of his/her close associates have a material interest, nor shall such Director be counted in the quorum present at the meeting;
- (b) a Director with material interests shall make full disclosure in respect of matters that conflict or potentially conflict with our interest and absent himself or herself from the meetings of the Board on matters in which such Director or any of his/her close associates have a material interest, unless the attendance or participation of such Director at such meeting of the Board is specifically requested by a majority of the independent non-executive Directors;

RELATIONSHIP WITH CONTROLLING SHAREHOLDERS

- (c) our Company has established internal control mechanisms to identify connected transactions. Upon the Listing, if our Company enters into connected transactions with a Controlling Shareholder or any of his/her/its associates, our Company will comply with the applicable Listing Rules;
- (d) our independent non-executive Directors will (i) review (at least annually) compliance with and the enforcement of undertakings under the Deed of Non-Competition; and (ii) review, consider and decide whether to take up New Business Opportunities under the Deed of Non-Competition;
- (e) where our Directors reasonably request the advice of independent professionals, such as financial advisors, the appointment of such independent professionals will be made at our Company's expenses;
- (f) the independent non-executive Directors will review, on an annual basis, whether there is any conflict of interests between our Group and our Controlling Shareholders, and provide impartial and professional advice to protect the interests of our minority Shareholders;
- (g) our Company will disclose decisions (with basis) on matters on conflicts of interests reviewed by the independent non-executive Directors either in its annual reports or by way of announcements;
- (h) our Controlling Shareholders will undertake to provide all information necessary, including all relevant financial, operational and market information and any other necessary information as required by the independent non-executive Directors for the purpose of their annual review referred to in paragraphs (d), (f) and (g) above;
- (i) our Controlling Shareholders will make an annual declaration of the compliance with the Deed of Non-Competition in the annual report of our Company;
- (j) each of our Controlling Shareholders has undertaken to us, and will procure his/its relevant close associates that he/it or any of his/its close associates will provide all information necessary for the annual review by our independent non-executive Directors for the enforcement of the Deed of Non-Competition;
- (k) we will disclose the review by our independent non-executive Directors on the compliance with, and the enforcement of, the Deed of Non-Competition in our annual report in compliance with the requirements of the Listing Rules;

RELATIONSHIP WITH CONTROLLING SHAREHOLDERS

- (l) in the event that any of our Directors and/or their respective close associates has material interests in any matter to be deliberated by our Board in relation to the compliance and enforcement of Deed of Non-Competition, he may not vote on the resolutions of our Board approving the matter and shall not be counted towards the quorum for the voting pursuant to the applicable provisions in the Articles of Association;
- (m) we are committed that our Board should include a balanced composition of executive Directors and independent non-executive Directors. We have appointed independent non-executive Directors and we believe our independent non-executive Directors possess sufficient experience and they are free of any business or other relationship which could interfere in any material manner with the exercise of their independent judgement and will be able to provide an impartial and external opinion to protect the interests of our public Shareholders. Biographical details of our independent non-executive Directors are set out in the paragraph headed “Directors and Senior Management — Board of Directors — Independent Non-executive Directors” in this prospectus; and
- (n) we have appointed Shenwan Hongyuan Capital (H.K.) Limited as our compliance advisor, which will provide advice and guidance to us in respect of compliance with the applicable laws and the Listing Rules including various requirements relating to directors’ duties and corporate governance.

CONTINUING CONNECTED TRANSACTIONS

We have entered into certain agreements with parties that will be our connected persons (as defined under Chapter 14A of the Listing Rules). Following the Listing, the transactions contemplated under such agreements will constitute our continuing connected transactions under the Listing Rules.

NON-EXEMPT CONTINUING CONNECTED TRANSACTIONS

Contractual Arrangements

Background of the Contractual Arrangements

As disclosed in the section headed “Contractual Arrangements” in this prospectus, due to regulatory restrictions or prohibitions on foreign ownership in the PRC, we conduct a substantial portion of business through Ophyer Technology and its subsidiaries, being our Consolidated Affiliated Entities. The Contractual Arrangements entered into among Beijing Flowing Cloud, the Consolidated Affiliated Entities and the Registered Shareholders enable us to (i) receive substantially all of the economic benefits from Consolidated Affiliated Entities in consideration for the services provided by Beijing Flowing Cloud to Consolidated Affiliated Entities under the Exclusive Technical Consultation and Services Agreement; (ii) exercise effective control over Consolidated Affiliated Entities to conduct the relevant business; and (iii) hold an exclusive option to purchase all or any part of equity interests in Consolidated Affiliated Entities and/or assets or interests in any of the assets of Consolidated Affiliated Entities.

The transactions contemplated under the Contractual Arrangements are continuing connected transactions of our Group and are subject to reporting, announcement, circular and independent Shareholders’ approval requirements under Chapter 14A of the Listing Rules.

Principal Terms of the Transactions

The Contractual Arrangements comprise the following agreements: the Exclusive Technical Consultation and Services Agreement, the Exclusive Option Agreements, the Equity Pledge Agreements, the Shareholders’ Rights Entrustment Agreements, the Registered Shareholder Undertakings and the Spouse Undertakings made by the spouse of each of the individual Registered Shareholders, where applicable. See the section headed “Contractual Arrangements” in this prospectus for the detailed terms of the Contractual Arrangements.

CONTINUING CONNECTED TRANSACTIONS

Listing Rules Implications

The table below sets forth the connected persons of our Company involved in the Contractual Arrangements and the nature of their connection with our Group. The transactions associated with the Contractual Arrangements constitute continuing connected transactions of our Company under the Listing Rules upon Listing.

Name	Connected relationship
Mr. Wang	Mr. Wang is our Controlling Shareholder and executive Director and is therefore our connected person pursuant to Chapter 14A of the Listing Rules
Mr. Li	Mr. Li is our Controlling Shareholder and executive Director and is therefore our connected person pursuant to Chapter 14A of the Listing Rules
Ophyer Technology. . . .	A company held as to approximately 40.88% and 5.92% by Mr. Wang and Mr. Li, respectively, as of the Latest Practicable Date

The highest applicable percentage ratios (other than the profits ratio) under the Listing Rules in respect of the transactions contemplated under the Contractual Arrangements are expected to be more than 5%. As such, the transactions will be subject to the reporting, annual review, announcement, circular and independent shareholders' approval requirements under Chapter 14A of the Listing Rules.

In the event of any future amendments to the Listing Rules imposing more stringent requirements than those applicable as of the Latest Practicable Date on the continuing connected transactions referred to in this section, we will take immediate steps to ensure compliance with such new requirements within a reasonable time.

Reasons for the Waiver Application and the View of Our Directors on the Continuing Connected Transactions

Our Directors, including our independent non-executive Directors, are of the view that (i) the Contractual Arrangements are fundamental to our Group's legal structure and business operations; and (ii) the Contractual Arrangements are on normal commercial terms to our Group in the ordinary and usual course of our Group's business and are fair and reasonable or to the advantage of our Group and are in the interests of our Shareholders as a whole. Accordingly, notwithstanding that the transactions contemplated under the Contractual Arrangements technically constitute continuing connected transactions under Chapter 14A of the Listing Rules, our Directors consider

CONTINUING CONNECTED TRANSACTIONS

that, given that our Group is placed in a special situation in relation to the connected transactions rules under the Contractual Arrangements, it would be unduly burdensome and impracticable, and would add unnecessary administrative costs to our Company, for all the transactions contemplated under the Contractual Arrangements to be subject to strict compliance with the requirements set out under Chapter 14A of the Listing Rules, including, among other things, the announcement, circular and approval of independent Shareholders.

Application for and Conditions of Waiver

In relation to the Contractual Arrangements, we have applied to the Stock Exchange for, and the Stock Exchange has granted, a waiver from (i) strict compliance with the announcement, circular and independent shareholders' approval requirements under Chapter 14A of the Listing Rules in respect of the transactions contemplated under the Contractual Arrangements pursuant to Rule 14A.105 of the Listing Rules; (ii) setting an annual cap for the transactions under the Contractual Arrangements pursuant to Rule 14A.53 of the Listing Rules; and (iii) fixing the term of the Contractual Arrangements to three years or less under Rule 14A.52 of the Listing Rules, for so long as our Shares are listed on the Stock Exchange subject to the following conditions:

(a) *No Change without Independent Non-executive Directors' Approval*

No changes to the terms of any of the agreements constituting the Contractual Arrangements will be made without the approval of the independent non-executive Directors.

(b) *No Change without Independent Shareholders' Approval*

Save as described in paragraph (d) below, no changes to the terms of any of the agreements constituting the Contractual Arrangements will be made without the approval of the independent Shareholders. Once independent Shareholders' approval of any change has been obtained, no further announcement, circular or approval of the independent Shareholders, will be required under Chapter 14A of the Listing Rules unless and until further changes are proposed. The periodic reporting requirement regarding the Contractual Arrangements in the annual reports of our Company (as set out in paragraph (e) below) will however continue to be applicable.

(c) *Economic Benefits Flexibility*

The Contractual Arrangements shall continue to enable our Group to receive the economic benefits derived by the Consolidated Affiliated Entities through: (i) our Group's potential right (if and when so allowed under the applicable PRC laws) to acquire, all or part of the equity interests in and/or the relevant assets of the Consolidated Affiliated Entities; (ii)

CONTINUING CONNECTED TRANSACTIONS

the business structure under which the total consolidated profit after tax of Ophyer Technology, after offsetting the prior-year loss (if any) and statutory reserve funds (if applicable), is substantially retained by us (such that no annual caps shall be set on the amount of services fees payable to Beijing Flowing Cloud under the Exclusive Technical Consultation and Service Agreement); and (iii) our right to control the management and operation of, as well as, in substance, all of the voting rights of Consolidated Affiliated Entities.

(d) *Renewal and reproduction*

On the basis that the Contractual Arrangements provide an acceptable framework for the relationship between our Company and our subsidiaries in which our Company has direct shareholding, on one hand, and the Consolidated Affiliated Entities, on the other hand, that framework may be renewed and/or reproduced upon the expiry of the existing arrangements or in relation to any existing or new wholly foreign-owned enterprise or operating company (including branch company) engaging in the same business as that of our Group which our Group might wish to establish when justified by business expediency, without obtaining the approval of the Shareholders, on substantially the same terms and conditions as described under the section headed “Contractual Arrangements” in this prospectus. Our Directors, chief executive or substantial shareholders of any existing or new wholly foreign-owned enterprise or operating company (including branch company) engaging in the same business as that of our Group which our Group may establish when justified by business expediency will, upon renewal and/or cloning of the Contractual Arrangements, however be treated as our Group’s connected persons and transactions between these connected persons and our Group other than those under similar Contractual Arrangements shall comply with Chapter 14A of the Listing Rules. This condition is subject to the relevant PRC laws, regulations and approvals.

(e) *Ongoing Reporting and Approvals*

We will disclose details relating to the Contractual Arrangements on an ongoing basis as follows:

- (i) The Contractual Arrangements in place during each financial period will be disclosed in our annual report and accounts in accordance with the relevant provisions of the Listing Rules.
- (ii) Our independent non-executive Directors will review the Contractual Arrangements annually and confirm in our annual report and accounts for the relevant year that:
 - (1) the transactions carried out during such year have been entered into in accordance with the relevant provisions of the Contractual Arrangements; (2) no

CONTINUING CONNECTED TRANSACTIONS

dividends or other distributions have been made by Consolidated Affiliated Entities to the holders of its equity interests which are not otherwise subsequently assigned or transferred to our Group; and (3) any new contracts entered into, renewed or reproduced between our Group and Consolidated Affiliated Entities during the relevant financial period under paragraph (d) above are fair and reasonable, or advantageous, so far as our Group is concerned and in the interests of our Company and the Shareholders as a whole.

- (iii) Our auditors will carry out review procedures annually on the transactions carried out pursuant to the Contractual Arrangements and will provide a letter to our Directors with a copy to the Stock Exchange confirming that the transactions carried out pursuant to the Contractual Arrangements have received the approval of our Directors and that no dividends or other distributions have been made by Consolidated Affiliated Entities to the holders of its equity interests which are not otherwise subsequently assigned or transferred to our Group.
- (iv) For the purposes of Chapter 14A of the Listing Rules, and in particular the definition of “connected person”, the Consolidated Affiliated Entities will be treated as our Company’s subsidiaries, and our Directors, chief executives or substantial shareholders (as defined in the Listing Rules) of the Consolidated Affiliated Entities and their associates will be treated as our Company’s “connected persons”. As such, transactions between these connected persons and our Group (including, for this purpose, the Consolidated Affiliated Entities) other than those under the Contractual Arrangements shall comply with Chapter 14A of the Listing Rules.
- (v) the Consolidated Affiliated Entities further undertake that, for so long as the Shares are listed on the Stock Exchange, the Consolidated Affiliated Entities will provide our Group’s management and our auditors with full access to its relevant records for the purpose of procedures to be carried out by our auditors on the connected transactions.

Directors’ confirmation

Our Directors (including the independent non-executive Directors) are of the view that the Contractual Arrangements and the transactions contemplated therein are fundamental to our Group’s legal structure and business operations, have been and will be entered into in the ordinary and usual course of business of our Group, are on normal commercial terms or better and are fair and reasonable and in the interests of our Company and our Shareholders as a whole.

CONTINUING CONNECTED TRANSACTIONS

Accordingly, notwithstanding that the transactions contemplated under the Contractual Arrangements technically constitute continuing connected transactions under Chapter 14A of the Listing Rules, our Directors (including the independent non-executive Directors) consider that, given that our Group is placed in a special situation in relation to the connected transactions rules under the Contractual Arrangements, it would be unduly burdensome and impracticable, and would add unnecessary administrative costs to our Company if such transactions are subject to strict compliance with the requirements set out under Chapter 14A of the Listing Rules, including, among others, the announcement, circular and independent shareholders' approval requirements.

Sole Sponsor's confirmation

The Sole Sponsor has (i) reviewed the relevant documents and information provided by our Group in relation to the above continuing connected transactions; (ii) obtained necessary representations and confirmations from our Company and our Directors; (iii) obtained and reviewed the legal opinion from our PRC Legal Advisors; and (iv) participated in the due diligence and discussions with the management of our Group, the PRC Legal Advisors and its own PRC legal advisors.

Based on the above, the Sole Sponsor is of the view that (i) the Contractual Arrangements are fundamental to our Group's legal structure and business operations; and (ii) the non-exempt continuing connected transactions set out above, and from which the waivers have been sought, have been entered into in the ordinary and usual course of business of our Group on normal commercial terms or better, which are fair and reasonable and in the interests of our Company and our Shareholders as a whole.

With respect to the term of the relevant Contractual Arrangements which is of a duration longer than three years, it is a justifiable and normal business practice to ensure that (i) the financial and operation of the Consolidated Affiliated Entities can be effectively controlled by Beijing Flowing Cloud, (ii) Beijing Flowing Cloud can obtain the economic benefits derived from the operation of the Consolidated Affiliated Entities, and (iii) any possible leakages of assets and values of the Consolidated Affiliated Entities can be prevented on an uninterrupted basis.

DIRECTORS AND SENIOR MANAGEMENT

BOARD OF DIRECTORS

Our Board consists of seven Directors, of whom four are executive Directors and three are independent non-executive Directors. Our Board is responsible and has general powers for the management and conduct of our business. The functions and duties of our Board include but are not limited to convening Shareholders' meetings and reporting our Board's work at Shareholders' meetings; implementing the resolutions passed at Shareholders' meetings; determining business plans and investment plans; preparing annual budget proposals and final accounts proposals; preparing plans for profit distribution and recovery of losses; preparing plans for the increase or decrease in registered capital; and exercising other powers, functions and duties as conferred by the Articles of Association.

The table below sets out certain information in respect of the members of the Board.

Name	Position	Age	Date of appointment as Director	Date of joining our Group	Roles and responsibilities in our Group	Relationship with other Directors or senior management
Executive Directors						
Wang Lei (汪磊)	Executive Director, chairman of the Board and chief executive officer	39	June 24, 2021	April 1, 2009	Strategic development, overall operation and management and major decision making of our Group	Nil
Li Yanhao (李艷浩) . . .	Executive Director, senior vice president and chief technology officer	40	December 13, 2021	March 27, 2009	Assisting in overall management and overall research, development and technical management of our Group	Nil

DIRECTORS AND SENIOR MANAGEMENT

Name	Position	Age	Date of appointment as Director	Date of joining our Group	Roles and responsibilities in our Group	Relationship with other Directors or senior management
Xu Bing (徐冰)	Executive Director, vice president and chief officer for data	39	December 13, 2021	August 3, 2009	Assisting in overall management of our Group and responsible for the sales and marketing activities of our Group	Nil
Li Yao (李堯)	Executive Director, vice president, secretary to the Board and joint company secretary	40	December 13, 2021	February 29, 2016	Overseeing our daily business operations and assisting in overall management of our Group	Nil
Independent non-executive Directors						
Jiang Yi (江一)	Independent non-executive Director	37	September 8, 2022	September 8, 2022	Supervising and providing independent opinion and judgement to our Board	Nil
Tan Deqing (譚德慶) . . .	Independent non-executive Director	56	September 8, 2022	September 8, 2022	Supervising and providing independent opinion and judgement to our Board	Nil
Wang Beili (王蓓莉) . . .	Independent non-executive Director	37	September 8, 2022	September 8, 2022	Supervising and providing independent opinion and judgement to our Board	Nil

DIRECTORS AND SENIOR MANAGEMENT

Executive Directors

Wang Lei (汪磊), aged 39, was appointed as our Director on June 24, 2021. He was appointed as our chairman of the Board, chief executive officer and re-designated as our executive Director on December 13, 2021. He is primarily responsible for the strategic development, overall operation and management and major decision making of our Group.

Mr. Wang joined our Group as a general manager of Ophyer Technology on April 1, 2009.

Mr. Wang has been closely involved in the operation and management of our Group. Other than serving as an executive Director, Mr. Wang has been assuming or assumed the following positions of our Group:

- general manager, director, legal representative and chairman of the board of Ophyer Technology, since April 1, 2009, June 20, 2016, June 20, 2016 and June 20, 2016, respectively. Mr. Wang was also the supervisor of Ophyer Technology from September 24, 2014 to June 19, 2016;
- legal representative, executive director and manager of Hupo Jinyuan since June 29, 2016;
- legal representative, executive director and manager of Shixin Network from February 9, 2017 to September 16, 2021 before its deregistration;
- executive director and manager of Zhongrunxing since November 6, 2018;
- director of Ophyer HK since August 10, 2021;
- legal representative, executive director and manager of Beijing Flowing Cloud since November 17, 2021; and
- legal representative, executive director and manager of Beijing Digital since August 18, 2022.

Shixin Network was established in the PRC on February 9, 2017 and was principally engaged in development of online games and related sales business. Shixin Network was deregistered on September 16, 2021. Mr. Wang confirmed that (i) Shixin Network was solvent with no outstanding liabilities arising from any material non-compliance incidents, claims, litigations or proceedings arising from its operation immediately prior to its deregistration; (ii) there was no wrongful act on

DIRECTORS AND SENIOR MANAGEMENT

his part leading to its dissolution and was not aware of any actual or potential claim that had been or would made against him as a result of such deregistration; and (iii) no misconduct on his part had been involved in such deregistration.

Mr. Wang has over 16 years of experience in the Internet technology industry. Prior to joining our Group, Mr. Wang had the following working experience:

<u>Name of organisation</u>	<u>Principal business activities</u>	<u>Last position and responsibilities</u>	<u>Period of service</u>
Newpalm (China) Information Technology Co., Ltd.* (掌中萬維(中國)信息科技有限公司) . .	Information technology services	WAP operations manager	July 2005 — May 2006
Beijing Ourpalm Co., Ltd.* (北京掌趣科技股份有限公司), a company listed on the Shenzhen Stock Exchange (stock code: 300315)	Games developer	Senior operations director	June 2006 — January 2009

Mr. Wang received the “Industry Leading Individual Award” at the 7th session of the Beijing Animation Event issued by the Beijing Animation Committee in August 2018.

Mr. Wang obtained his bachelor’s degree in automation from the North China University of Technology (北方工業大學) in Beijing, PRC in July 2005, and his master’s degree in project management from the Beijing University of Posts and Telecommunications (北京郵電大學) in Beijing, PRC in March 2013.

Li Yanhao (李艷浩), aged 40, was appointed as our Director on December 13, 2021 and was re-designated as our executive Director on December 13, 2021. He is also a senior vice president and the chief technology officer of our Group, responsible for assisting in overall management and overall R&D and technical management of our Group.

Mr. Li joined our Group as a director of Ophyer Technology on March 27, 2009. Mr. Li was the technology director of Ophyer Technology from April 1, 2009 to August 31, 2016 and the general manager of Ophyer Technology from September 1, 2016 to December 31, 2020, and has been the senior vice president and chief technology officer of Ophyer Technology since January 1, 2021.

DIRECTORS AND SENIOR MANAGEMENT

Mr. Li has over 15 years of experience in software engineering. Prior to joining our Group, Mr. Li had the following working experience:

Name of organisation	Principal business activities	Last position and responsibilities	Period of service
Beijing Chuangli Century Software Co., Ltd.* (北京創利世紀軟件有限公司)	Software development	Software engineer, primarily responsible for mobile game business development	January 2005 to May 2007
Aikexin (Beijing) Technology Limited* (愛可信(北京)傳媒技術有限公司)	Software development	Software engineer	June 2007 to January 2009

Mr. Li graduated with an undergraduate degree in electronic science and technology from the University of Electronic Science and Technology of China (電子科技大學) in Sichuan, PRC in July 2004.

Xu Bing (徐冰), aged 39, was appointed as our Director on December 13, 2021 and was re-designated as our executive Director on December 13, 2021. She is also a vice president and chief officer for data of our Company, responsible for assisting in overall management and sales and marketing activities of our Group.

Ms. Xu joined our Group as a commercial manager of Ophyer Technology on August 3, 2009. Ms. Xu became a director of Ophyer Technology since June 20, 2016 and the commercial cooperation director of Ophyer Technology from September 1, 2016 to December 31, 2020, and the vice president and the chief officer for data of Ophyer Technology since January 1, 2021.

Ms. Xu has over 14 years of experience in the information technology services industry. Prior to joining our Group, Ms. Xu had the following working experience:

Name of organisation	Principal business activities	Last position and responsibilities	Period of service
Beijing Joyes Tech. Co., Ltd.* (北京卓娛互動科技有限 公司)	Mobile games sales and operation platform	Business development manager, primarily responsible for market development related work	January 2007 — March 26, 2008

DIRECTORS AND SENIOR MANAGEMENT

Name of organisation	Principal business activities	Last position and responsibilities	Period of service
Shanghai Jichuang Network Technology Co., Ltd.* (上海積創網絡科技有限公司)	Mobile games developer	Terminal cooperation manager, primarily responsible for promoting games and cooperating with mobile terminals to provide game content	April 2008 — April 2009
Yimenlou (Beijing) Technology Co., Ltd.* (億門樓(北京)科技有限公司)	Information technology services	Marketing manager	April 2009 — August 2009

Ms. Xu obtained her bachelor's degree in international economics and trading from Jilin University of Finance and Economics (吉林財經大學) (previously known as the Changchun Taxation College (長春稅務學院)) in Jilin, PRC in July 2006.

Li Yao (李堯), aged 40, was appointed as our Director on December 13, 2021. He was appointed as our joint company secretary to the Board and re-designated as our executive Director on December 13, 2021. He is also a vice president of our Company, responsible for overseeing our daily business operations and assisting in overall management of our Group.

Mr. Li Yao joined our Group as deputy general manager and secretary to the board of Ophyer Technology on February 29, 2016.

Mr. Li Yao has been closely involved in the operation and management of our Group. Other than serving as a Director, Mr. Li Yao has been assuming or assumed the following positions:

- deputy general manager, secretary to the board and director of Ophyer Technology since February 29, 2016, February 29, 2016 and June 20, 2016, respectively;
- executive director and manager of Kashi Fanxing from May 2018 to August 9, 2021 before its deregistration;
- executive director, legal representative and manager of Hefei Xingcheng from April 2020 to December 21, 2021 before its deregistration;
- supervisor of Beijing Xingshi since April 10, 2020;

DIRECTORS AND SENIOR MANAGEMENT

- executive director, legal representative and manager of Nanyang Ophyer from October 2020 to October 29, 2021 before its deregistration; and
- executive director, legal representative and general manager of Shenzhen Huachuang since January 12, 2021.

Kashi Fanxing was established in the PRC on May 9, 2018 and did not carry out any material business operation since its establishment, and was deregistered on August 9, 2021. Nanyang Ophyer was established in the PRC on September 29, 2017 and was principally engaged in product research and development, and was deregistered on October 29, 2021. Mr. Li Yao confirmed that (i) each of Kashi Fanxing and Nanyang Ophyer was solvent with no outstanding liabilities arising from any material non-compliance incidents, claims, litigations or proceedings arising from its operation immediately prior to its deregistration; (ii) there was no wrongful act on his part leading to the deregistration of Kashi Fanxing and Nanyang Ophyer and was not aware of any actual or potential claim that had been or would be made against him as a result of such dissolution; and (iii) no misconduct on his part had been involved in such deregistration.

Mr. Li Yao has over 16 years of experience in games and software development. Prior to joining our Group, Mr. Li Yao had the following working experience:

Name of organisation	Principal business activities	Last position and responsibilities	Period of service
Ourpalm Co., Ltd.* (北京掌趣科技股份有限公司) . . .	Games developer	Product manager, primarily responsible for games related business	December 2004 — December 2007
Shanghai Snowfish Tech. Co., Ltd.* (上海雪鯉魚計算機科技有限公司)	Software developer	Mobile games product director, primarily responsible for Java related business	January 2008 — June 2010
Beijing Fengxinzi Computer Technology Co., Ltd.* (北京風信子計算機科技有限公司) (currently known as (Beijing Planet Wings Sports Culture Co., Ltd.* 北京星球之翼體育文化有限公司)). . . .	Information publication services	General manager, primarily responsible for marketing and operation of the company	July 2010 — January 2016

DIRECTORS AND SENIOR MANAGEMENT

Mr. Li Yao received the 2018 National Equities Exchange and Quotations Gold Medal for Secretary of the Board (2018年度新三板金牌董秘) issued by the Rhino Star (IPO3.COM) in 2018.

Mr. Li Yao obtained his diploma in stage lighting and sound engineering from the Beijing Broadcast and Television University (北京廣播電視大學) (subsequently known as Beijing Open University (北京開放大學)) in Beijing, PRC in July 2005, and his bachelor's degree in Chinese literature and linguistics from the Central Broadcast and Television University (中央廣播電視大學) (subsequently known as The Open University of China (國家開放大學)) in Beijing, PRC in January 2011.

Independent Non-executive Directors

Jiang Yi (江一), aged 37, was appointed as our independent non-executive Director on September 8, 2022. He is primarily responsible for supervising and providing independent judgement to the Board.

Mr. Jiang has over nine years of experience in the field of corporate services. Mr. Jiang had the following working experience:

Name of organisation	Principal business activities	Last position and responsibilities	Period of service
Zhonglian Hengye (Beijing) Investment Management Co., Ltd.* (中聯恒業(北京)投資管理有限公司)	Investment management	Chairman of the Board, primarily responsible for leading the board and focusing on strategic matters	March 2012 — Present
Qingyun Technology (Beijing) Co., Ltd.* (擎雲科技(北京)有限公司)	Technology promotion and application service industry	Chairman of the Board, primarily responsible for leading and supervising the board and the senior management	November 2014 — Present
HCR Co., Ltd.* (北京慧辰資道資訊股份有限公司), a company listed on the Shanghai Stock Exchange Science and Technology Innovation Board (stock code: 688500)	Data intelligence solution	Independent non-executive director, primarily responsible for providing independent opinion and judgement to the company	April 2019 — Present

DIRECTORS AND SENIOR MANAGEMENT

Mr. Jiang obtained his bachelor's degree in electronic information engineering from the Wuhan University of Science and Technology (武漢科技大學) in Wuhan, PRC in June 2007.

Tan Deqing (譚德慶), aged 56, was appointed as our independent non-executive Director on September 8, 2022. He is primarily responsible for supervising and providing independent judgement to the Board.

Mr. Tan has extensive experience in the education sector. Prior to joining our Group, Mr. Tan was a lecturer in Beihua University and a lecturer and associate professor in Qingdao University. He also had the following experience:

Name of organisation	Principal business activities	Last position and responsibilities	Period of service
Southwest Jiaotong University	Education	Professor, primarily responsible for teaching strategies, operations research, practical statistics, game theory and data modelling	September 2005 — Present

Qingdao Chengzhi Marketing Planning Co., Ltd.* (青島誠智營銷策劃有限公司) (“**Qingdao Chengzhi**”) was established in the PRC on May 27, 1999 and was principally engaged in business services and was deregistered and Mr. Tan confirmed that (i) Qingdao Chengzhi was solvent with no outstanding liabilities arising from any material non-compliance incidents, claims, litigations or proceedings arising from its operation immediately prior to its deregistration; (ii) there was no wrongful act on his part leading to its deregistration and was not aware of any actual or potential claim that had been or would made against him as a result of such dissolution; and (iii) no misconduct on his part had been involved in such deregistration.

Mr. Tan was a director of the 7th and 8th sessions of Leading Organization of Operations Research Society of China and a standing director of the 3rd session of Corporate Operations Research Division of Operations Research Society of China. He is currently a member of the Expert Database of the National Doctoral and Master's Thesis Sampling Commentary.

Mr. Tan obtained his bachelor's degree in mathematics from the Northeast Normal University (東北師範大學) in Jilin, PRC in July 1988, and his master's degree in applied mathematics from Sichuan University (四川大學) in Sichuan, PRC in June 1994. He obtained his doctorate in management from Southwest Jiaotong University (西南交通大學) in Sichuan, PRC in January 2005.

DIRECTORS AND SENIOR MANAGEMENT

Wang Beili (王蓓莉), aged 37, was appointed as our independent non-executive Director on September 8, 2022. She is primarily responsible for supervising and providing independent judgement to the Board.

Ms. Wang has over 13 years of experience in finance and accounting. Prior to joining our Group, Ms. Wang had the following working experience:

Name of organisation	Principal business activities	Last position and responsibilities	Period of service
PricewaterhouseCoopers Zhongtian Certified Public Accountants (Special General Partnership)	Accounting	Audit manager, primarily responsible for provision of audit services	August 31, 2007 — November 24, 2013
Yum! Brands, Inc., China Division (百勝餐飲) . . .	Food services	Finance manager — internal audit, primarily responsible for internal audit related matters	December 2013 — February 2015
Zigong Noah Financial Services Co., Ltd. (自貢 諾亞金融服務有限公司) .	Information technology and process outsourcing services	Investor relationships senior relationship manager, primarily responsible for managing investor relationships	March 2, 2015 — June 27, 2016
Shanghai Xin Gong Investment Management Co., Ltd.* (上海信公投資管理有限 公司)	Investment and asset management	Operation director of Investment Department, primarily responsible for the operation of the Investment Department	February 3, 2017 — Present
Fenyi Huiyu Investment Management Co., Ltd.* (分宜匯譽投資管理有限 公司)	Investment and asset management	Executive director and general manager, primarily responsible for overall management of the company	April 2017 — Present

Ms. Wang obtained her bachelor's degree in Business Administration from Fudan University (復旦大學) in Shanghai, PRC in July 2007. In March 2014, she was qualified as a Certified Public Accountant in the PRC.

DIRECTORS AND SENIOR MANAGEMENT

Other Disclosure Pursuant to Rule 13.51(2) of the Listing Rules

Save as disclosed in this section and in the paragraph headed “Statutory and General Information — C. Further Information about Directors and Substantial Shareholders — 1. Disclosure of Interests” in Appendix IV to this prospectus, each of our Directors confirms with respect to himself or herself that he or she (1) did not hold other long positions or short positions in the Shares, underlying Shares, debentures of our Company or any associated corporation (within the meaning of Part XV of the SFO) as of the Latest Practicable Date; (2) had no other relationship with any Directors, senior management or substantial or Controlling Shareholders of our Company as of the Latest Practicable Date except that Mr. Wang and Mr. Li have entered into a concert party agreement according to which they confirm and acknowledged that they have been cooperating and parties acting in concert with respect to the matter of Ophyer Technology. For further details, see the paragraph headed “History, Development and Corporate Structure — Concert Party Agreement” in this prospectus; (3) did not hold any other directorships in the three years prior to the Latest Practicable Date in any public companies of which the securities are listed on any securities market in Hong Kong and/or overseas; and (4) there are no other matters concerning our Directors’ appointment that need to be brought to the attention of our Shareholders and the Stock Exchange or shall be disclosed pursuant to Rule 13.51(2) of the Listing Rules.

DIRECTORS AND SENIOR MANAGEMENT

SENIOR MANAGEMENT

Our senior management is responsible for the day-to-day management of our business. The table below sets out certain information in respect of the senior management of our Group.

Name	Position	Age	Date of appointment as senior management	Date of joining our Group	Roles and responsibilities in our Group	Relationship with other Directors and senior management
Wang Lei (汪磊)	Chief executive officer	39	April 1, 2009	April 1, 2009	Strategic development, overall operation and management and major decision making of our Group	Nil
Li Yanhao (李艷浩) . . .	Senior vice president and chief technology officer	40	April 1, 2009	March 27, 2009	Assisting in overall management and overall research, development and technical management of our Group	Nil
Xu Bing (徐冰)	Vice president and chief officer for data	39	August 3, 2009	August 3, 2009	Assisting in overall management of our Group and responsible for the sales and marketing activities of our Group	Nil
Li Yao (李堯)	Vice president, secretary to the Board and joint company secretary	40	February 29, 2016	February 29, 2016	Overseeing our daily business operations and assisting in overall management of our Group	Nil
Zhang Jiming (張紀明) . . .	Chief financial officer	47	March 22, 2021	March 22, 2021	Overseeing the financial and taxation affairs of our Group	Nil

DIRECTORS AND SENIOR MANAGEMENT

Name	Position	Age	Date of appointment as senior management	Date of joining our Group	Roles and responsibilities in our Group	Relationship with other Directors and senior management
Han Yizhe (韓沂哲) . . .	Vice president, chief sales and marketing officer	37	March 26, 2019	March 26, 2019	Overall management and strategic planning, marketing and business development of our Group	Nil
Zuo Yanhong (左艷紅) . . .	Finance vice president	39	April 18, 2016	April 18, 2016	Overseeing accounting and finance matters of our Group	Nil

For biographical details of Mr. Wang, Mr. Li, Ms. Xu Bing and Mr. Li Yao, please see the paragraph headed “— Executive Directors” in this section.

Zhang Jiming (張紀明), aged 47, joined our Group as the chief financial officer of Ophyer Technology on March 22, 2021, and was appointed as the chief financial officer of our Company on December 13, 2021. He is primarily responsible for overseeing the financial and taxation affairs of our Group.

Mr. Zhang has over 14 years of experience in accounting and finance. Prior to joining our Group, Mr. Zhang had the following working experience:

Name of organisation	Principal business activities	Last position and responsibilities	Period of service
PricewaterhouseCoopers 普華永道中天會計師事務所(特殊普通合夥)北京分所	Accounting	Senior accountant, primarily responsible for performing audit work	January 2002 — December 2004
Bombardier Canada Beijing Office (加拿大龐巴迪公司北京辦事處)	Transportation equipment	Financial analyst, primarily responsible for overseeing the finance, budget, operational control and internal control	December 2004 — August 2006

DIRECTORS AND SENIOR MANAGEMENT

Name of organisation	Principal business activities	Last position and responsibilities	Period of service
China Hydroelectric Corporation (中華水電公司).	Hydropower	Financial controller, primarily responsible for reviewing financial reports and annual reports, making financial analysis, budgets and forecasts, and other financial control works	October 2009 — May 2012
Amsinomed Medical Co., Ltd.* (北京美中雙和醫療 器械股份有限公司)	Medical equipment manufacturing	Chief financial officer, primarily responsible for formulating business plans, strategies and major decisions and overseeing the financial management	June 2012 — July 2013
Beijing GeoEnviron Engineering & Technology. Inc* (北京高能時代環境技術 股份有限公司) (Shanghai Stock Exchange stock code: 603588)	Solid waste treatment, household waste disposal and environment restoration	Chief financial officer, primarily responsible for formulating business plans, strategies and major decisions and overseeing the financial management	August 2013 — March 2016
Beijing Sanwei Investment Fund Management Co., Ltd.* (北京三維投資基金 管理有限公司)	Investment management and consulting for non-securities business	Deputy general manager, primarily responsible for general management of investment	April 2016 — April 2018
Baicells Technologies Co., Ltd.* (北京佰才邦技術股 份有限公司)	Small base station communication system equipment	Chief financial officer, primarily responsible for formulating business plans, strategies and major decisions and overseeing the financial management	April 2018 — August 2019

DIRECTORS AND SENIOR MANAGEMENT

Mr. Zhang obtained his bachelor's degree in accounting from the Capital University of Economics and Business (首都經濟貿易大學) in Beijing, PRC in July 1998 and his masters degree in business administration from University of Connecticut in Connecticut, United States in August 2008.

Han Yizhe (韓沂哲), aged 37, joined our Group on March 26, 2019 and was the marketing director of Hupo Jinyuan from March 26, 2019 to April 30, 2019, the marketing director of Zhongrunxing from May 1, 2019 to June 30, 2020 and was the vice president and chief sales and marketing officer of Ophyer Technology since July 2020. He is primarily responsible for overall management, strategic planning, marketing, sales and business development of our Group.

Mr. Han has over 13 years of experience in marketing operations. Prior to joining our Group, Mr. Han had the following working experience:

Name of organisation	Principal business activities	Last position and responsibilities	Period of service
Beijing Ruicheng Advertising Co., Ltd.* (北京瑞誠廣告有限公司), a wholly-owned subsidiary of a Hong Kong listed company (stock code: 1640)	Advertising and media agency on TV, Internet and other media platform	Strategy director, primarily responsible strategic planning and customer services	January 28, 2009 — May 30, 2013
Tibet Shannan Dongfang Bojie Advertising Co., Ltd.* (西藏山南東方博傑廣告有限公司), a wholly-owned subsidiary of a Shenzhen listed company (stock code: 300058)	Advertisement	Marketing director, primarily responsible for strategic planning and customer services	June 3, 2013 — December 28, 2018

Mr. Han obtained his bachelor's degree in calligraphy from the Luxun Academy of Fine Arts (魯迅美術學院) in Liaoning, PRC in July 2008.

Zuo Yanhong (左艷紅), aged 39, joined our Group on April 18, 2016 and was the finance manager of Ophyer Technology from April 18, 2016 to December 31, 2020 and the finance vice president since January 1, 2021. Ms. Zuo was appointed as the finance vice president of our Company on December 13, 2021. She is primarily responsible for overseeing accounting and finance matters of our Group.

DIRECTORS AND SENIOR MANAGEMENT

Ms. Zuo has over 10 years of experience in corporate management and accounting. Prior to joining our Group, Ms. Zuo had the following working experience:

Name of organisation	Principal business activities	Last position and responsibilities	Period of service
Youth League Committee of the Wuhan University of Science and Technology* (武漢科技學院團委) . . .	Educational institution	Specific class supervisor (團委幹事)	June 2006 — July 2008
Tianjin Zhongyou Sida Petroleum Materials Co., Ltd.* (天津中油四達石油材料有限公司)	Petroleum materials and chemicals	Office manager	September 2008 — October 2010
Beijing Kangquan Gelin Information Technology Co., Ltd.* (北京康全格林信息技術有限公司)	Information technology services	Administrative officer	March 2011 — October 2011
Beijing Zhengji Xinyun Trading Co., Ltd.* (北京鑫瑞遠達商貿有限公司)	Sales of daily necessities, toiletries, construction materials and furniture	Accounting supervisor	September 2015 — April 2016

Ms. Zuo obtained her bachelor's degree in international economics and trading from the South-Central University for Nationalities (中南民族大學) in Hubei, PRC in July 2006. Ms. Zuo obtained her junior accounting title (初級會計職稱) from the Ministry of Human Resources and Social Security of the PRC on May 16, 2017.

JOINT COMPANY SECRETARIES

Mr. Li Yao, aged 40, was appointed as one of the joint company secretaries on December 13, 2021. For biographical details of Mr. Li Yao, please see the paragraph “— Executive Directors” in this section.

Ms. Chan Sau Ling (陳秀玲), was appointed as one of the joint company secretaries on December 13, 2021.

DIRECTORS AND SENIOR MANAGEMENT

Ms. Chan is a director of Corporate Services of Tricor Services Limited and has been providing professional corporate services to Hong Kong listed companies as well as multinational, private and offshore companies.

Ms. Chan is currently the company secretary/joint company secretary of listed companies on The Stock Exchange of Hong Kong Limited, namely, China Longyuan Power Group Corporation Limited 龍源電力集團股份有限公司 (stock code: 916), CS Mall Group Limited 金貓銀貓集團有限公司 (stock code: 1815), Huafa Property Services Group Company Limited 華發物業服務集團有限公司 (stock code: 982), Huisen Household International Group Limited 匯森家居國際集團有限公司 (stock code: 2127) and Wise Ally International Holdings Limited 麗年國際控股有限公司 (stock code: 9918).

Ms. Chan is a chartered secretary, a chartered governance professional and a fellow of both The Hong Kong Chartered Governance Institute (HKCGI) (formerly “The Hong Kong Institute of Chartered Secretaries”) and The Chartered Governance Institute (CGI) (formerly “The Institute of Chartered Secretaries and Administrators”) in the United Kingdom.

BOARD COMMITTEES

We have established the following committees in our Board: the Audit Committee, the Remuneration Committee and the Nomination Committee. The committees operate in accordance with terms of reference established by our Board.

Audit Committee

Our Company has established an Audit Committee (with effect from the Listing Date) with written terms of reference in compliance with Rule 3.21 of the Listing Rules and paragraph A.2 and paragraph D.3 of the Corporate Governance Code as set out in Appendix 14 to the Listing Rules (the “**Corporate Governance Code**”). The Audit Committee consists of three independent non-executive Directors, being Ms. Wang Beili, Mr. Jiang Yi and Mr. Tan Deqing. The chairlady of the Audit Committee is Ms. Wang Beili. Ms. Wang Beili holds the appropriate professional qualifications as required under Rules 3.10(2) and 3.21 of the Listing Rules. The primary duties of the Audit Committee include, without limitation, assisting our Board by providing an independent view of the effectiveness of the financial reporting process, internal control and risk management systems of our Group, overseeing the audit process and performing other duties and responsibilities as assigned by our Board.

DIRECTORS AND SENIOR MANAGEMENT

Remuneration Committee

Our Company has established a Remuneration Committee (with effect from the Listing Date) with written terms of reference in compliance with Rule 3.25 of the Listing Rules and paragraph E.1 of the Corporate Governance Code. The Remuneration Committee consists of two independent non-executive Directors, being Mr. Tan Deqing and Ms. Wang Beili, and one executive Director, being Mr. Wang Lei. The Remuneration Committee is chaired by Mr. Tan Deqing. The primary duties of the Remuneration Committee include, but are not limited to, the following: (i) making recommendations to our Board on our policy and structure for all remuneration of Directors and senior management and on the establishment of a formal and transparent procedure for developing policy on such remuneration; (ii) determining the remuneration packages of Directors and senior management; and (iii) reviewing and approving remuneration proposals with reference to corporate goals and objectives resolved by our Board from time to time.

Nomination Committee

Our Company has established a Nomination Committee (with effect from the Listing Date) with written terms of reference in compliance with Rule 3.27A of the Listing Rules and paragraph B.3 of the Corporate Governance Code. The Nomination Committee consists of three independent non-executive Directors, being Mr. Tan Deqing, Mr. Jiang Yi and Ms. Wang Beili. The chairman of the Nomination Committee is Mr. Tan Deqing. The primary functions of the Nomination Committee include, without limitation, reviewing the structure, size and composition of our Board, assessing the independence of independent non-executive Directors and making recommendations to our Board on matters relating to the appointment of Directors.

Board diversity policy

We are committed to promoting the culture of diversity in our Company. We have strived to promote diversity to the extent practicable by taking into consideration a number of factors in our corporate governance structure.

We have established the board diversity policy which sets out the objective and approach to achieve and maintain diversity of our Board in order to enhance the effectiveness of our Board. Pursuant to the board diversity policy, we seek to achieve Board diversity through the consideration of a number of factors, including but not limited to gender, age, language, cultural background, educational background, industry experience and professional experience. Our Directors have a balanced mix of knowledge and skills, including knowledge and experience in the areas of technology, business management, finance and accounting, etc. Our Directors, with two females and five males, range from 37 years old to 56 years old and are able to bring a balance of diversity perspectives to our Board.

DIRECTORS AND SENIOR MANAGEMENT

We are also committed to adopting a similar approach to promote diversity within management (including but not limited to the senior management) of our Company to enhance the effectiveness of corporate governance of our Company as a whole.

The Nomination Committee is delegated by our Board to be responsible for compliance with relevant codes governing board diversity under the Code. After the Listing, the Nomination Committee will review the board diversity policy from time to time to ensure its continued effectiveness and we will disclose in our corporate governance report about the implementation of the board diversity policy on an annual basis.

CORPORATE GOVERNANCE

Pursuant to Code Provision C.2.1 of the Corporate Governance Code, companies listed on the Stock Exchange are expected to comply with, but may choose to deviate from, the requirement that the responsibilities between the chairman and the chief executive officer should be segregated and should not be performed by the same individual. Mr. Wang is our chairman and chief executive officer. With extensive experience in the technology services and game development industry, Mr. Wang is responsible for the strategic development, overall operation and management and major decision-making of our Group and is instrumental to our growth and business expansion since he joined our Group. Our Board considers that vesting the roles of chairman and chief executive officer in the same person is beneficial to the management of our Group. The balance of power and authority is ensured by the operation of the senior management and our Board, which comprises experienced and visionary individuals. Our Board currently comprises four executive Directors (including Mr. Wang) and three independent non-executive Directors and therefore has a fairly strong independence element in its composition. Decisions to be made by our Board requires approval by at least a majority of our Directors. Mr. Wang and the other Directors are aware of and undertake to fulfil their fiduciary duties as Directors, which require, among other things, that he/she acts for the benefit and in the best interests of our Company and will make decisions of our Group accordingly. Our Board will continue to review the effectiveness of the corporate governance structure of our Group in order to assess whether separation of the roles of chairman and chief executive officer is necessary.

Save as disclosed above, we are in compliance with all code provisions of the Corporate Governance Code.

DIRECTORS AND SENIOR MANAGEMENT

REMUNERATION OF DIRECTORS AND MANAGEMENT

Our Directors receive remuneration in the form of fees, salaries, bonuses, other allowances and benefits in kind, including our Company's contribution to the pension scheme on their behalf. We determine the salaries of our Directors based on each Director's responsibilities, qualification, position and seniority.

The aggregate amount of remuneration which was paid to our Directors for the three years ended December 31, 2021 and the three months ended March 31, 2022 were approximately RMB1.33 million, RMB1.71 million, RMB2.63 million and RMB0.7 million, respectively.

Under the arrangement currently in force, we expect that the aggregate remuneration (without taking into account the Post-IPO Share Option Scheme) to be paid to our Directors for the year ending December 31, 2022 will amount to approximately RMB3.1 million.

The aggregate amount of remuneration which were paid by our Group to our five highest paid individuals (including both employees and Directors) for the three years ended December 31, 2021 and the three months ended March 31, 2022 were approximately RMB1.79 million, RMB2.04 million, RMB3.27 million and RMB0.9 million, respectively.

No remuneration was paid to our Directors or the five highest paid individuals as an inducement to join, or upon joining, our Group. No compensation was paid to, or receivable by, our Directors, past Directors or the five highest paid individuals for the Track Record Period for the loss of office as director of any member of our Group or of any other office in connection with the management of the affairs of any member of our Group. None of our Directors waived any emoluments during the same period.

For additional information on Directors' remuneration during the Track Record Period as well as information on the highest paid individuals, please see Note 11 of the Accountants' Report set out in Appendix I to this prospectus.

POST-IPO SHARE OPTION SCHEME

We have conditionally adopted the Post-IPO Share Option Scheme on September 8, 2022. Please see the paragraph headed "Statutory and General Information — D. Share Incentive Schemes — 1. Post-IPO Share Option Scheme" in Appendix IV to this prospectus for a description of our Post-IPO Share Option Scheme.

DIRECTORS AND SENIOR MANAGEMENT

COMPLIANCE ADVISOR

We have appointed Shenwan Hongyuan Capital (H.K.) Limited as our compliance advisor pursuant to Rule 3A.19 of the Listing Rules. Pursuant to Rule 3A.23 of the Listing Rules, the compliance advisor will advise us on the following circumstances:

- before the publication of any announcements, circulars or financial reports required by regulatory authorities or applicable laws;
- where a transaction, which might be a notifiable or connected transaction under Chapters 14 and 14A of the Listing Rules is contemplated, including share issues and share repurchases;
- where we propose to use the proceeds of the Global Offering in a manner different from that detailed in this prospectus or where our business activities, developments or results deviate from any forecast, estimate or other information in this prospectus; and
- where the Stock Exchange makes an inquiry of us regarding unusual price movement and trading volume or other issues under Rule 13.10 of the Listing Rules.

The terms of the appointment shall commence on the Listing Date and end on the date which we distribute our annual report of our financial results for first full the financial year commencing after the Listing Date.

SHARE CAPITAL

AUTHORIZED AND ISSUED SHARE CAPITAL

The following is a description of the authorized and issued share capital of our Company in issue and to be issued as fully paid prior to and immediately following the completion of the Capitalization Issue and the Global Offering:

<u>Authorized share capital</u>		<u>Aggregate par value (US\$)</u>
5,000,000,000	Shares	0.00001
<i>Issued and to be issued, fully paid or credited as fully paid immediately upon completion of the Global Offering</i>		
116,117,810	Shares in issue as of the Latest Practicable Date	1,161.18
1,422,382,190	Shares to be issued pursuant to the Capitalization Issue	14,223.82
271,500,000	Shares to be issued under the Global Offering	2,715
<u>1,810,000,000</u>	<u>Total</u>	<u>18,100</u>

ASSUMPTION

The above table assumes that the Global Offering becomes unconditional and the Shares are issued pursuant to the Capitalization Issue and the Global Offering. The above table does not take into account any Shares which may be allotted and issued pursuant to the exercise of the Over-allotment Option and any Shares which may be issued upon the exercise of options which may be granted under the Post-IPO Share Option Scheme or any Shares which may be issued or repurchased by our Company pursuant to the general mandates granted to our Directors to issue or repurchase Shares as described below.

RANKING

The Offer Shares are ordinary shares in the share capital of our Company and will rank equally in all respects with all Shares in issue or to be issued as set forth in the above table, and will qualify and rank in full for all dividends or other distributions declared, made or paid after the date of this prospectus.

SHARE CAPITAL

SHARE OPTION SCHEME

We have conditionally adopted the Post-IPO Share Option Scheme. The principal terms of the Post-IPO Share Option Scheme are summarized in the paragraph headed “Statutory and General Information — D. Share Incentive Scheme” in Appendix IV to this prospectus.

GENERAL MANDATE TO ISSUE SHARES

Subject to the Global Offering becoming unconditional, our Directors have been granted a general unconditional mandate to allot, issue and deal with Shares and to make or grant offers, agreements or options which might require such Shares to be allotted and issued or dealt with at any time subject to the requirement that the aggregate nominal value of the Shares so allotted and issued or agreed conditionally or unconditionally to be allotted and issued, shall not exceed the sum of:

- (a) 20% of the aggregate nominal value of the share capital of our Company in issue immediately following completion of the Global Offering; and
- (b) the nominal amount of our share capital repurchased by our Company (if any) pursuant to the repurchase mandate (as mentioned below).

This mandate does not cover Shares to be allotted, issued, or dealt with under a rights issue or scrip dividend scheme or similar arrangements or a specific authority granted by our Shareholders or upon the exercise of the Over-allotment Option, or the exercise of options which may be granted under the Post-IPO Share Option Scheme.

This mandate to issue Shares will remain in effect until:

- (i) the conclusion of our next annual general meeting; or
- (ii) the expiration of the period within which the next annual general meeting of our Company is required to be held under any applicable laws or the Articles of Association; or
- (iii) it is varied or revoked by an ordinary resolution of our Shareholders at a general meeting,

whichever is the earliest.

SHARE CAPITAL

For further details of this general mandate, please see the paragraph headed “Statutory and General Information — A. Further Information about Our Group — 4. Resolutions of the Shareholders of our Company Passed on September 8, 2022” in Appendix IV to this prospectus.

GENERAL MANDATE TO REPURCHASE SHARES

Subject to the Global Offering becoming unconditional, our Directors have been granted a general unconditional mandate to exercise all the powers of our Company to repurchase Shares with an aggregate nominal value of not more than 10% of the aggregate nominal value of our share capital in issue immediately following the Global Offering (excluding any Shares which may be allotted and issued pursuant to the exercise of the Over-allotment Option, or the exercise of options which may be granted under the Post-IPO Share Option Scheme).

This mandate relates to repurchases made on the Stock Exchange, or on any other stock exchange which the Shares may be listed (and which is recognized by the SFC and the Stock Exchange for this purpose), and made in accordance with all applicable laws and regulations and the requirements of the Listing Rules. A summary of the relevant Listing Rules is set out in the paragraph headed “Statutory and General Information — A. Further Information about Our Group — 5. Repurchase of Our Shares” in Appendix IV to this prospectus.

This general mandate to repurchase Shares will remain in effect until:

- (a) the conclusion of our next annual general meeting; or
- (b) the expiration of the period within which the next annual general meeting of our Company is required to be held under any applicable laws or the Articles of Association; or
- (c) it is varied or revoked by an ordinary resolution of our Shareholders at a general meeting, whichever is the earliest.

For further details of this general mandate, please see the paragraph headed “Statutory and General Information — A. Further Information about Our Group — 4. Resolutions of the Shareholders of our Company Passed on September 8, 2022” in Appendix IV to this prospectus.

SHARE CAPITAL

CIRCUMSTANCES UNDER WHICH GENERAL MEETING AND CLASS MEETING ARE REQUIRED

As a matter of the Cayman Companies Act, an exempted company is not required by law to hold any general meetings or class meetings. The holding of general meeting or class meeting is prescribed for under the articles of association of a company. Accordingly, our Company will hold general meetings as prescribed for under the Articles. For further details, see the section headed “Summary of the Constitution of our Company and Cayman Companies Act” in Appendix III to this prospectus.

SUBSTANTIAL SHAREHOLDERS

So far as our Directors are aware, immediately following the completion of the Capitalization Issue and the Global Offering (without taking into account any Shares which may be issued under the Over-allotment Option and without taking into account any Shares to be issued upon the exercise of options which may be granted under the Post-IPO Share Option Scheme), the following persons will have or be deemed or taken to have an interest and/or a short position in our Shares or the underlying Shares of our Company which will be required to be disclosed to our Company and the Stock Exchange pursuant to the provisions of Divisions 2 and 3 of Part XV of the SFO or who will be, directly or indirectly, interested in 10% or more of the number of any class of share capital carrying rights to vote in all circumstances at general meetings of our Company or any other members of our Group:

(A) INTEREST IN SHARES OF OUR COMPANY

Name of Shareholder	Nature of Interest	Number of Shares held as of the Latest Practicable Date	Shares held immediately following the completion of Global Offering	Approximate percentage of shareholding upon completion of the Capitalization Issue and the Global Offering (assuming the Over-allotment Option is not exercised and without taking into account any Shares to be issued upon the exercise of options which may be granted under the Post-IPO Share Option Scheme)	Approximate percentage of shareholding upon completion of the Capitalization Issue and the Global Offering (assuming the Over-allotment Option is fully exercised and without taking into account any Shares to be issued upon the exercise of options which may be granted under the Post-IPO Share Option Scheme)
Mr. Wang	Interest in controlled corporation ^(Note 1)	57,668,950	764,083,301	42.21%	41.29%
Wang BVI	Interest in controlled corporation ^(Note 1)	57,668,950	764,083,301	42.21%	41.29%
Mr. Li	Interest in controlled corporation ^(Note 1)	57,668,950	764,083,301	42.21%	41.29%
Li BVI	Interest in controlled corporation ^(Note 1)	57,668,950	764,083,301	42.21%	41.29%
Vistra Trust	Trustee ^(Note 2)	57,668,950	764,083,301	42.21%	41.29%

SUBSTANTIAL SHAREHOLDERS

Name of Shareholder	Nature of Interest	Number of Shares held as of the Latest Practicable Date	Shares held immediately following the completion of Global Offering	Approximate percentage of shareholding upon completion of the Capitalization Issue and the Global Offering (assuming the Over-allotment Option is not exercised and without taking into account any Shares to be issued upon the exercise of options which may be granted under the Post-IPO Share Option Scheme)	Approximate percentage of shareholding upon completion of the Capitalization Issue and the Global Offering (assuming the Over-allotment Option is fully exercised and without taking into account any Shares to be issued upon the exercise of options which may be granted under the Post-IPO Share Option Scheme)
Cyber Warrior	Interest in controlled corporation ^(Note 2)	57,668,950	764,083,301	42.21%	41.29%
Ms. Zhang Zimo . .	Interest of spouse ^(Note 3)	57,668,950	764,083,301	42.21%	41.29%
Ms. Feng Dasha . .	Interest of spouse ^(Note 4)	57,668,950	764,083,301	42.21%	41.29%
Brainstorming Cafe	Beneficial Owner	57,668,950	764,083,301	42.21%	41.29%

Notes:

1. Mr. Wang and Mr. Li jointly hold 42.21% of interest of our Company through Brainstorming Cafe. Brainstorming Cafe is owned as to 26.16% by Wang BVI, 61.05% by Cyber Warrior and 12.79% by Li BVI. Wang BVI is wholly owned by Mr. Wang. Li BVI is wholly owned by Mr. Li. Cyber Warrior is wholly owned by Vistra Trust. Vistra Trust is the trustee of the Wang Family Trust which is a discretionary trust established by Mr. Wang as the settlor and protector, and the beneficiary of the Wang Family Trust is Wang BVI. The Wang Family Trust is established for Mr. Wang's estate planning purposes.

Further, on December 13, 2021, Mr. Wang and Mr. Li entered into a concert party agreement, pursuant to which Mr. Wang and Mr. Li confirmed, among other things, that since they became shareholders and/or beneficial owners of Ophyer Technology or any member of our Group, they have been cooperating and are parties acting in concert with respect to the matters of Ophyer Technology, and shall continue to do so until the termination of such concert party agreement, and that they have been and shall continue to give unanimous consent, approval or rejection on any material issues and decision in relation to the business of our Company and the relevant members of our Group.

2. Cyber Warrior is wholly owned by Vistra Trust, the trustee of the Wang Family Trust which is a discretionary trust established by Mr. Wang as the settlor and protector and the beneficiary of the Wang Family Trust is Wang BVI. The Wang Family Trust is established for Mr. Wang's estate planning purposes.
3. Ms. Zhang Zimo is the spouse of Mr. Wang. Under the SFO, Ms. Zhang Zimo is deemed to be interested in the same number of Shares in which Mr. Wang is interested.

SUBSTANTIAL SHAREHOLDERS

4. Ms. Feng Dasha is the spouse of Mr. Li. Under the SFO, Ms. Feng Dasha is deemed to be interested in the same number of Shares in which Mr. Li is interested.

Save as disclosed above, our Directors are not aware of any person who will, immediately following the completion of the Capitalization Issue and the Global Offering (without taking into account any Shares which may be issued under the Over-allotment Option), have an interest or a short position in Shares or underlying Shares which will be required to be disclosed to our Company and the Stock Exchange under the provisions of Division 2 and 3 of Part XV of SFO or will be, directly or indirectly, interested in 10% or more of the issued voting Shares of our Company.

CORNERSTONE INVESTORS

THE CORNERSTONE PLACING

We have entered into cornerstone investment agreements (“**Cornerstone Investment Agreement**”, and together the “**Cornerstone Investment Agreements**”) with the cornerstone investors set out below (“**Cornerstone Investor**”, and together the “**Cornerstone Investors**”), pursuant to which the Cornerstone Investors have agreed to, subject to certain conditions, subscribe, or cause their designated entities (including qualified domestic institutional investor as approved by the relevant PRC authorities (“**QDII**”)) to subscribe, at the Offer Price for certain number of our Offer Shares (the “**Cornerstone Placing**”).

Based on the Offer Price of HK\$2.21 per Offer Share, being the low end of the range of the Offer Price set out in this prospectus, the total number of Offer Shares to be subscribed for by the Cornerstone Investors would be 85,746,572, representing approximately (i) 4.75% of the Shares in issue upon completion of the Global Offering, assuming that the Over-allotment Option is not exercised; and (ii) 4.62% of the Shares in issue upon completion of the Global Offering, assuming that the Over-allotment Option is fully exercised.

Based on the Offer Price of HK\$2.55 per Offer Share, being the mid-point of the range of the Offer Price set out in this prospectus, the total number of Shares to be subscribed for by the Cornerstone Investors would be 74,459,697, representing approximately (i) 4.12% of the Shares in issue upon completion of the Global Offering, assuming that the Over-allotment Option is not exercised; and (ii) 4.01% of the Shares in issue upon completion of the Global Offering, assuming that the Over-allotment Option is fully exercised.

Based on the Offer Price of HK\$2.88 per Offer Share, being the high end of the range of the Offer Price set out in this prospectus, the total number of Shares to be subscribed for by the Cornerstone Investors would be 65,798,587, representing approximately (i) 3.65% of the Offer Shares in issue upon completion of the Global Offering, assuming that the Over-allotment Option is not exercised; and (ii) 3.54% of the Shares in issue upon completion of the Global Offering, assuming that the Over-allotment Option is fully exercised.

Our Company is of the view that the investments of the Cornerstone Investors will help raise the profile of our Company and demonstrate to the potential investors that they are confident in our business (in respect of, for instance, our brand image and reputation, the experience of our senior management team, the future development of the new and developing AR/VR content and services industry and the prospects of our Group’s business).

The Cornerstone Placing forms part of the International Offering, and the Cornerstone Investors will not acquire any Offer Shares under the Global Offering other than pursuant to the Cornerstone Investment Agreements. The Offer Shares to be subscribed by the Cornerstone

CORNERSTONE INVESTORS

Investors will rank *pari passu* in all respects with the other fully paid Shares in issue following the completion of the Global Offering and for the purpose of Rule 8.08 of the Listing Rules, will be counted towards the public float of our Company.

Immediately following the completion of the Global Offering, the Cornerstone Investors will not become a substantial Shareholder (as defined in the Listing Rules) of our Company and will not have any Board representation in our Company. To the best knowledge of our Company, each of Cornerstone Investors (and, for Cornerstone Investors who will subscribe for our Offer Shares through a QDII, such QDII) (i) is an Independent Third Party and is not our connected person or an associate of our connected persons, and not an existing Shareholders or a close associate of the existing Shareholders; (ii) is not financed by our Company, our subsidiaries, our Directors, chief executives, our Controlling Shareholders, substantial Shareholders, existing Shareholders or their respective close associates; and (iii) is not accustomed to taking instructions and has not taken any instructions from our Company, our subsidiaries, our Directors, chief executives, our Controlling Shareholders, substantial Shareholders, existing Shareholders or their respective close associates in relation to the acquisition, disposal, voting or other disposition of the Shares registered in their name or otherwise held by them.

To the extent that any Cornerstone Investor has engaged a QDII to subscribe for the relevant Offer Shares on its behalf, such Cornerstone Investor will procure the QDII to comply with the terms of its Cornerstone Investment Agreement in order to ensure the compliance of such Cornerstone Investor with its obligations under its Cornerstone Investment Agreement.

As confirmed by each of the Cornerstone Investors, there are no side agreements or arrangements between us and the Cornerstone Investors or any benefit, direct or indirect, conferred on the Cornerstone Investors by virtue of or in relation to the Cornerstone Placing. The Cornerstone Investors do not have any preferential rights in the Cornerstone Investment Agreements compared with other public Shareholders, other than a guaranteed allocation of the relevant Offer Shares at the Offer Price.

To the best knowledge of our Company and as confirmed by each Cornerstone Investor, its subscription under the Cornerstone Placing would be financed by its own internal financial resources. Save for (i) SensePower (as defined below), which is directly wholly-owned by SenseTime (as defined below), a company whose shares are listed on the Stock Exchange (stock code: 0020); and (ii) TradeGo (as defined below), a company whose shares are listed on the Growth Enterprise Market (“GEM”) of the Stock Exchange (stock code: 8017), none of the Cornerstone Investors nor their respective shareholders are listed on any stock exchanges. Each of the Cornerstone Investors has confirmed that all necessary approvals have been obtained with respect to the Cornerstone Placing, and that no specific approval from any stock exchange (if relevant) or its shareholders is required for the relevant cornerstone investment.

CORNERSTONE INVESTORS

The total number of Offer Shares to be subscribed by the Cornerstone Investors pursuant to the Cornerstone Placing may be affected by reallocation of the Offer Shares between the International Offering and the Hong Kong Public Offering in the event of over-subscription under the Hong Kong Public Offering as described in the paragraph headed “Structure of the Global Offering — The Hong Kong Public Offering — Reallocation”. In such case, the amount allocated to each Cornerstone Investor will be scaled back on a *pro rata* basis. Details of the allocations to the Cornerstone Investors will be disclosed in the allotment results announcement in the Hong Kong Public Offering to be published on or around October 17, 2022. There will be no deferred settlement of Offer Shares to the Cornerstone Investors for the settlement. There will be no delayed delivery or delayed settlement of the Offer Shares to be subscribed by the Cornerstone Investors pursuant to the Cornerstone Investment Agreements. The investment amount for the Offer Shares to be subscribed for by the Cornerstone Investors under the Cornerstone Placing will be paid by 8:00 a.m. (Hong Kong time) on the Listing Date. For details of the Over-allotment Option, see the paragraph headed “Structure of the Global Offering — The International Offering — Over-allotment Option” in this prospectus.

The table below sets forth details of the Cornerstone Placing:

Assuming a final Offer Price of HK\$2.21 per Share (being the low-end of the indicative Offer Price range)						
Cornerstone Investor	Subscription amount ⁽¹⁾	Number of Offer Shares to be acquired ⁽⁵⁾	Assuming the Over-Allotment Option is not exercised		Assuming the Over-Allotment Option is fully exercised	
			Approximately % of the Offer Shares	Approximately % of the issued share capital	Approximately % of the Offer Shares	Approximately % of the issued share capital
	RMB					
Anji Guorong (as defined below) ⁽²⁾ . . .	50,000,000	25,622,236	9.44%	1.42%	8.21%	1.38%
Qicai Lingfeng (as defined below) ⁽³⁾ . .	50,000,000	25,622,236	9.44%	1.42%	8.21%	1.38%
Zhejiang Tianzihu (as defined below) ⁽⁴⁾	50,000,000	25,622,236	9.44%	1.42%	8.21%	1.38%
SensePower (as defined below) ⁽⁵⁾	13,861,000	7,103,891	2.62%	0.39%	2.28%	0.38%
TradeGo (as defined below) ⁽⁶⁾	3,465,250	1,775,973	0.65%	0.10%	0.57%	0.10%
Total	167,326,250	85,746,572	31.59%	4.75%	27.48%	4.62%

CORNERSTONE INVESTORS

Assuming a final Offer Price of HK\$2.55 per Share
(being the mid-point of the indicative Offer Price range)

Cornerstone Investor	Subscription amount ⁽¹⁾	Number of Offer Shares to be acquired ⁽⁵⁾	Assuming the Over-Allotment Option is not exercised		Assuming the Over-Allotment Option is fully exercised	
			Approximately % of the Offer	Approximately % of the issued share capital	Approximately % of the Offer	Approximately % of the issued share capital
	RMB		Shares	share capital	Shares	share capital
Anji Guorong (as defined below) ⁽²⁾	50,000,000	22,249,565	8.20%	1.23%	7.13%	1.20%
Qicai Lingfeng (as defined below) ⁽³⁾	50,000,000	22,249,565	8.20%	1.23%	7.13%	1.20%
Zhejiang Tianzihu (as defined below) ⁽⁴⁾	50,000,000	22,249,565	8.20%	1.23%	7.13%	1.20%
SensePower (as defined below) ⁽⁵⁾	13,861,000	6,168,802	2.27%	0.34%	1.98%	0.33%
TradeGo (as defined below) ⁽⁶⁾	3,465,250	1,542,200	0.57%	0.09%	0.49%	0.08%
Total	167,326,250	74,459,697	27.44%	4.12%	23.86%	4.01%

Assuming a final Offer Price of HK\$2.88 per Share
(being the high-end of the indicative Offer Price range)

Cornerstone Investor	Subscription amount ⁽¹⁾	Number of Offer Shares to be acquired ⁽⁵⁾	Assuming the Over-Allotment Option is not exercised		Assuming the Over-Allotment Option is fully exercised	
			Approximately % of the Offer	Approximately % of the issued share capital	Approximately % of the Offer	Approximately % of the issued share capital
	RMB		Shares	share capital	Shares	share capital
Anji Guorong (as defined below) ⁽²⁾	50,000,000	19,661,508	7.24%	1.09%	6.30%	1.06%
Qicai Lingfeng (as defined below) ⁽³⁾	50,000,000	19,661,508	7.24%	1.09%	6.30%	1.06%
Zhejiang Tianzihu (as defined below) ⁽⁴⁾	50,000,000	19,661,508	7.24%	1.09%	6.30%	1.06%
SensePower (as defined below) ⁽⁵⁾	13,861,000	5,451,250	2.01%	0.30%	1.75%	0.29%
TradeGo (as defined below) ⁽⁶⁾	3,465,250	1,362,813	0.50%	0.08%	0.44%	0.07%
Total	167,326,250	65,798,587	24.23%	3.65%	21.09%	3.54%

Notes:

- (1) Excluding the brokerage fee, the SFC transaction levy, the Stock Exchange trading fee and the Financial Reporting Council transaction levy.
- (2) Calculated for illustrative purpose based on the investment amount of RMB50 million and the exchange rate as described in “Information about this prospectus and the Global Offering — Exchange Rate Conversion.” The actual investment amount may vary due to the exchange rate prescribed in the relevant Cornerstone Investment Agreement.

CORNERSTONE INVESTORS

- (3) Calculated for illustrative purpose based on the investment amount of RMB50 million and the exchange rate as described in “Information about this prospectus and the Global Offering — Exchange Rate Conversion.” The actual investment amount may vary due to the exchange rate prescribed in the relevant Cornerstone Investment Agreement.
- (4) Calculated for illustrative purpose based on the investment amount of RMB50 million and the exchange rate as described in “Information about this prospectus and the Global Offering — Exchange Rate Conversion.” The actual investment amount may vary due to the exchange rate prescribed in the relevant Cornerstone Investment Agreement.
- (5) Calculated for illustrative purpose based on the investment amount of USD2 million and the exchange rate as described in “Information about this prospectus and the Global Offering — Exchange Rate Conversion.” The actual investment amount may vary due to the exchange rate prescribed in the relevant Cornerstone Investment Agreement.
- (6) Calculated for illustrative purpose based on the investment amount of USD500,000 and the exchange rate as described in “Information about this prospectus and the Global Offering — Exchange Rate Conversion.” The actual investment amount may vary due to the exchange rate prescribed in the relevant Cornerstone Investment Agreement.
- (7) Rounded down to the nearest whole board lot of 1,000 Offer Shares.

THE CORNERSTONE INVESTORS

The information about our Cornerstone Investors set forth below has been provided by the Cornerstone Investors in connection with the Cornerstone Placing.

Anji Guorong

Anji Guorong Construction Co., Ltd.* (安吉國融建設有限公司) (“**Anji Guorong**”) was established in the PRC on December 25, 2017 with a registered capital of RMB300 million and is principally engaged in investment and financing business, in particular, equity investment with an investment focus on areas such as new energy, new materials, electronic information, equipment manufacturing, life science, and digital economy.

Anji Guorong is directly wholly-owned by Anji Rongfa Industrial Co., Ltd.* (安吉融發實業有限公司) (“**Anji Rongfa**”), which is directly wholly-owned by Zhejiang Anji Liangshan State-Owned Holding Group Co., Ltd.* (浙江安吉兩山國有控股集團有限公司) (“**Anji Liangshan**”), which is in turn directly wholly-owned by the Finance Bureau of Anji County (安吉縣財政局). Anji Guorong is of the view that investing in our Company is in line with its own investment strategy which currently focuses on the new economy and new technology industries. As such, Anji Guorong has made its own investment decision to become a Cornerstone Investor.

Our Company became acquainted with Anji Guorong when it noticed our application for the Listing and approached Mr. Wang for investment opportunities.

Qicai Lingfeng

Anji Qicai Lingfeng Rural Tourism Investment Co., Ltd. (安吉七彩靈峰鄉村旅遊投資有限公司) (“**Qicai Lingfeng**”) was established in the PRC on July 20, 2016 with a registered capital of RMB500 million and is principally engaged in construction and development of tourist sites within the Anji Lingfeng Tourist Resort (安吉靈峰旅遊度假區), construction and operation of the demonstration zone (示範區) around Lingfeng Mountain, as well as investment and financing business with an investment focus on areas such as tourism and technology.

Qicai Lingfeng is directly wholly-owned by Anji Industrial Investment Development Group Co., Ltd.* (安吉縣產業投資發展集團有限公司) (“**Anji Industrial Investment**”), which is directly owned as to 90% by Zhejiang Anji Industrial Holding Group Co., Ltd.* (浙江安吉產業控股集團有限公司) (“**Anji Industrial Holding**”) and 10% by Zhejiang Finance Development Co., Ltd.* (浙江省財務開發有限責任公司) (“**Zhejiang Finance**”). Anji Industrial Holding is directly wholly-owned by Anji Liangshan, which is in turn directly wholly-owned by the Finance Bureau of Anji County. Zhejiang Finance is directly wholly-owned by the Department of Finance of Zhejiang Province (浙江省財政廳). Qicai Lingfeng, after making its own investment decision, became a Cornerstone Investor for potential cooperation opportunities in the cultural tourism industry.

Our Company became acquainted with Qicai Lingfeng when it noticed our application for the Listing and approached Mr. Wang for investment opportunities.

Zhejiang Tianzihu

Zhejiang Tianzihu Industry Investment Co., Ltd.* (浙江天子湖實業投資有限公司) (“**Zhejiang Tianzihu**”) was established in the PRC on June 2, 2004 with a registered capital of RMB300 million and is principally engaged in equity investment, infrastructure construction, green infrastructure construction, and sales of bentonite and its products.

Zhejiang Tianzihu is directly wholly-owned by Zhejiang Anji Construction Holding Group Co., Ltd.* (浙江安吉建設控股集團有限公司) (“**Anji Construction**”). Anji Construction is directly wholly-owned by the Finance Bureau of Anji County. Zhejiang Tianzihu is of the view that investing in our Company is in line with its own investment strategy which currently focuses on the new economy and new technology industries. As such, Zhejiang Tianzihu has made its own investment decision to become a Cornerstone Investor.

Our Company became acquainted with Zhejiang Tianzihu when it noticed our application for the Listing and approached Mr. Wang for investment opportunities.

CORNERSTONE INVESTORS

SensePower

SensePower Management Limited (“**SensePower**”) was incorporated in the British Virgin Islands on September 26, 2017 and is principally engaged in investment holding. It is directly wholly-owned by SenseTime Group Inc. (“**SenseTime**”), a company whose shares are listed on the Stock Exchange (stock code: 0020). Prof. Tang Xiao’ou, a professor at the Department of Information Engineering of the Chinese University of Hong Kong, and his controlled corporation are the controlling shareholders of SenseTime. SenseTime is primarily engaged in developing innovative AI technologies, including deep learning platform and supercomputing center. It has launched a series of artificial intelligence technologies, including face recognition, image recognition, text recognition, medical image recognition, video analysis, driverless and remote sensing.

Our Company became acquainted with SenseTime through introduction by our exclusive financial advisor, and our Company did not have any relationship with SenseTime or SensePower prior to the introduction made by such exclusive financial advisor.

TradeGo

TradeGo FinTech Limited (捷利交易寶金融科技有限公司) (“**TradeGo**”) was incorporated in the Cayman Islands on June 15, 2017 and is principally engaged in providing cloud-based market and trading integrated terminal products and system services for Hong Kong brokerage firms. Its shares are listed on the GEM of the Stock Exchange (stock code: 8017). Mr. Liu Yong (劉勇), a merchant who has over 10 years of experience in the finance and information technology industry, and his controlled corporations are the controlling shareholders of TradeGo.

Our Company became acquainted with TradeGo in our ordinary course of business through our Group’s business network.

CLOSING CONDITIONS

The subscription obligation of each Cornerstone Investor under the respective Cornerstone Investment Agreement is subject to, among other things, the following closing conditions:

- (a) the underwriting agreements for the Hong Kong Public Offering and the International Offering being entered into and having become effective and unconditional (in accordance with their respective original terms or as subsequently waived or varied by agreement of the parties thereto) by no later than the time and date as specified in these underwriting agreements, and neither of the aforesaid underwriting agreements having been terminated;

CORNERSTONE INVESTORS

- (b) the Offer Price having been agreed upon between our Company and the Relevant Global Coordinators;
- (c) the Listing Committee of the Stock Exchange having granted the listing of, and permission to deal in, the Shares (including the Offer Shares subscribed for by the Cornerstone Investors) as well as other applicable waivers and approvals, and such approval, permission or waiver having not been revoked prior to the commencement of dealings in the Shares on the Stock Exchange;
- (d) no laws shall have been enacted or promulgated by any governmental authority which prohibits the consummation of the transactions contemplated in the Global Offering or in the respective Cornerstone Investment Agreement and there shall be no orders or injunctions from a court of competent jurisdiction in effect precluding or prohibiting consummation of such transactions; and
- (e) the respective representations, warranties, acknowledgements, undertakings and confirmations of such Cornerstone Investor under the respective Cornerstone Investment Agreement are and will be accurate, true and complete in all respects and not misleading or deceptive and that there is no breach of such Cornerstone Investment Agreement on the part of such Cornerstone Investor.

RESTRICTIONS ON DISPOSALS BY THE CORNERSTONE INVESTORS

Each of the Cornerstone Investors has agreed that it will not, whether directly or indirectly, at any time during the period of six (6) months from the Listing Date (the “**Lock-up Period**”), (i) dispose of, in any way, any of the Offer Shares they have purchased pursuant to the relevant Cornerstone Investment Agreement (the “**Relevant Shares**”) or any interest in any company or entity holding any Relevant Shares, including any securities convertible into or exercisable or exchangeable for or that represent the right to receive any of the foregoing securities; (ii) allow itself to undergo a change of control (as defined in The Codes on Takeovers and Mergers and Share Buy-backs promulgated by the SFC) at the level of its ultimate beneficial owner; (iii) agree or contract to, or publicly announce any intention to enter into any such transaction described above; or (iv) enter into any transactions directly or indirectly with the same economic effect as any aforesaid transaction.

FUTURE PLANS AND USE OF PROCEEDS

FUTURE PLANS

See the paragraph headed “Business — Our Development Strategies” in this prospectus for details of our future plans.

USE OF PROCEEDS

We estimate that we will receive net proceeds from the Global Offering of approximately HK\$620.5 million (after deducting the underwriting fees and expenses related to the Global Offering), assuming the Over-allotment Option is not exercised and an Offer Price of HK\$2.55 per Share, being the mid-point of the Offer Price range of HK\$2.21 to HK\$2.88 per Offer Share.

We intend to use the net proceeds of the Global Offering for the following purposes:

(a) Approximately 40% of the net proceeds, or approximately HK\$248.2 million, is expected to be used for enhancing our R&D capabilities and improving our services and products, including:

- 1) approximately 25% of the net proceeds, or approximately HK\$155.1 million, is expected to be used for enhancing our R&D capabilities and improving our technology infrastructure, of which:
 - i. approximately 10% of the net proceeds, or approximately HK\$62.0 million, is expected to be used for developing and optimizing our algorithms and data analysis capabilities to optimize the data analysis capabilities of our big data AI system and the effectiveness of our AI algorithms to improve the efficiency of our AR/VR marketing services business, to decrease the operating costs related to our IT infrastructure by optimizing architecture and improving computing capabilities, and to explore opportunities to apply our big data and AI technologies in performance-based service scenarios other than AR/VR marketing services over the next 12 to 36 months.

Among which, (i) approximately HK\$24.8 million is expected to be used to recruit 12 to 15 additional engineers with a bachelor’s degree or above and more than three years of relevant experience in the areas of AI and big data algorithms with competitive compensation at an annual remuneration of approximately RMB600,000 to RMB840,000 (equivalent to approximately HK\$680,000 to HK\$951,000), to offer more competitive compensation to our existing R&D team members, and to provide professional training sessions to our R&D team; (ii) approximately HK\$37.2 million is expected to be used to strengthen our IT infrastructure to improve our analytics tools and systems and to invest in the

FUTURE PLANS AND USE OF PROCEEDS

development and application of AI technologies. In particular, we plan to purchase additional software, servers with different categories of capabilities and other ancillary hardware to support the development of our algorithms and AI capabilities.

Specifically, we plan to continuously optimize our existing AI algorithms to further increase the accuracy and speed of image and word recognition, increase the accuracy of voice recognition and enhance the semantic analysis capabilities, improve the efficiency and accuracy of facial and motion recognition. This is expected to empower our software to make more accurate judgments on the environment, language and motion, thus laying the foundation for improving interactive effects and bringing better user experience to be applied to more business scenarios. We also plan to gradually commence research on AI generated content to optimize interactive content through AI and gradually transition to content creation through AI. We plan to achieve AI production of interactive content by 2024 and gradually increase the proportion of AI generated content to improve content production efficiency. This is expected to greatly improve our content production efficiency, reduce our reliance on individual capabilities and experience, and thus help us respond more promptly and precisely to customer needs. In addition, we intend to improve our data analysis capabilities through upgrading the big data algorithms and hardware of our existing data analysis platform to better understand end user behavior in interactive content and to strengthen standardization and process building in content creation. We plan to improve the quality of our products and services through identifying key issues valued by the users through data analysis;

- ii. approximately 8% of the net proceeds, or approximately HK\$49.7 million, is expected to be used for upgrading and iterating our AR/VR development engines to enhance our AR/VR content production capabilities and enhance our AR/VR technology to adapt to next-generation AR glasses, VR glasses, holographic projection and 5G applications over the next 12 to 36 months.

Among which, (i) approximately HK\$19.9 million is expected to be used to recruit 12 to 15 additional engineers with a bachelor's degree or above and more than five years of relevant experience in the areas of software engineering and hardware engineering with competitive compensation at an annual remuneration of approximately RMB420,000 to RMB540,000 (equivalent to approximately HK\$476,000 to HK\$612,000). We plan to recruit additional engineers to improve our technology capabilities including to develop image rendering capabilities which could enable our customers to achieve higher levels of display effects for

FUTURE PLANS AND USE OF PROCEEDS

our products and content; (ii) approximately HK\$17.9 million is expected to be used to acquire software and patents in relation to AR/VR technologies and applications; and (iii) approximately HK\$11.9 million is expected to be used to purchase servers for our engine testing purposes, next-generation AR glasses, VR glasses and relevant ancillary equipment.

Specifically, we plan to continuously improve and upgrade our Uni-Play engine, expand its strong interactive systems including identification system and social system to adapt to the next-generation hardware. We plan to add an economic system and a digital asset accreditation system in 2023 to enhance the concept of value for users in a virtual world. Further, we plan to add a governance system in 2024 to allow users to define interactive rules to enhance user participation. This is expected to improve the interactive capability of our engine, increase user stickiness to our content, extend our user participation time, and improve our customers' operational efficiency.

We also plan to further iterate and develop our Uni-AR and Uni-VR engines. On the one hand, we plan to timely update interactive modes through improving hardware and network functions and upgrading our AI algorithms. On the other hand, we plan to timely adapt our AR/VR content and services to AR and VR hardware products of different vendors to cover a wider user group in view of the growing hardware market in China. According to iResearch, the output of AR/VR headsets in China is expected to grow from 10.4 million pieces in 2022 to 57.4 million pieces in 2026. We plan to expand the adaptability of our engines to adapt to hardware platforms such as holographic projectors, holographic electronic sand tables and 3D interactive tables to develop more offline interaction scenarios. This is expected to improve the competitiveness of our products, and provide more diverse and effective solutions for various industries and different application scenarios through better interactive effects and more diversified hardware combinations.

Furthermore, in order to adapt to 5G applications, we plan to develop our own cloud rendering engine to resolve the problems of weak rendering capability of mobile terminals and poor user experience. We plan to introduce our AR/VR interactive content solutions based on cloud rendering in around 2024. We also plan to enhance our user loading capabilities through investments in improving servers and network bandwidth;

FUTURE PLANS AND USE OF PROCEEDS

- iii. approximately 7% of the net proceeds, or approximately HK\$43.4 million, is expected to be used for improving our operation capabilities to standardize and upgrade our operation systems, promote automation of our business process to enhance efficiency and reduce human errors, and synchronize and consolidate our continuously expanding operation over the next 12 to 36 months. We plan to upgrade our office automation system and improve our operation and maintenance systems.

Among which, (i) approximately HK\$8.7 million is expected to be used to recruit five to seven additional engineers with a bachelor's degree or above and more than three years of relevant experience in the areas of software engineering or data analysis with competitive compensation at an annual remuneration of approximately RMB420,000 to RMB540,000 (equivalent to approximately HK\$476,000 to HK\$612,000); (ii) approximately HK\$34.7 million is expected to be used to strengthen our IT infrastructure to support our business growth. In particular, we plan to purchase additional servers with substantial data storage capacities and purchase high performance cloud computing services and high-speed network services;

- 2) approximately 15% of the net proceeds, or approximately HK\$93.1 million, is expected to be used for improving our services and products, of which:

- i. approximately 7% of the net proceeds, or approximately HK\$43.4 million, is expected to be used for the development of our AR/VR content business over the next 12 to 36 months. We plan to expand our AR/VR content business to cover more industries, particularly the manufacturing industry and the live-streaming industry, and to further penetrate into the industries we have already covered including the culture and tourism industry.

Among which, (i) approximately HK\$26.0 million is expected to be used to recruit 15 to 20 additional product managers, project managers or art designers with a bachelor's degree or above and more than three years of relevant experience in product management or art design with competitive compensation at an annual remuneration of approximately RMB360,000 to RMB600,000 (equivalent to approximately HK\$408,000 to HK\$680,000). We plan to recruit additional product managers, project managers and art designers to meet the needs of our business growth as our AR/VR content business has been expanding rapidly and AR/VR content projects usually require more human resources than our other business segments; (ii) approximately HK\$17.4 million is expected to be used to engage subcontractors to provide art-designing services.

FUTURE PLANS AND USE OF PROCEEDS

Specifically, for the manufacturing industry, we plan to apply AR/VR content to various aspects of the design, manufacturing, marketing and the maintenance of industrial equipment. During the initial design phase of a product, we plan to use AR/VR technology to help designers express their design ideas more accurately, communicate their ideas to their customers more easily, and analyze and improve product models more efficiently, while in the manufacturing phase, we also plan to use AR/VR content to provide workers with more intuitive process guidance, assist them to complete tedious production processes via AR technology.

For the live-streaming industry, by combining modeling and AI production technologies to produce virtual characters, we plan to introduce solutions for live-streaming by virtual characters in around 2023, achieving synchronization of expressions and actions through motion capture and facial recognition technologies.

In addition, we plan to further penetrate into the culture and tourism industry. We intend to open offline VR experience stores at around 10 tourist attractions in China within the next three years, presenting history and cultural background of the attractions to the tourists through VR videos;

- ii. approximately 5% of the net proceeds, or approximately HK\$31.0 million, is expected to be used for the development of our AR/VR SaaS business over the next 12 to 36 months. We plan to improve our existing AR/VR interactive content modules and develop new AR/VR interactive content modules to expand into new industries. Our initial plan is to launch VR live-stream marketing for industries such as culture and tourism, second-hand houses and second-hand cars and develop AR SaaS products for live action role playing games for tourist attractions and VR education platform for schools.

Among which, (i) approximately HK\$18.6 million is expected to be used to recruit 12 to 15 additional product managers, project managers or art designers with a bachelor's degree or above and more than three years of relevant experience in product management or art design with competitive compensation at an annual remuneration of approximately RMB360,000 to RMB600,000 (equivalent to approximately HK\$408,000 to HK\$680,000). We plan to recruit additional product managers, project managers and art designers as we plan to continue to launch new AR/VR SaaS products which requires us to build a larger team from product design to project execution; (ii) approximately HK\$12.4 million is expected to be used to engage subcontractors to provide art-designing services.

FUTURE PLANS AND USE OF PROCEEDS

Specifically, for VR live-streaming marketing, utilizing our AR/VR SaaS platform, hosts may take audiences through 720 degrees fully immersive experiences, which is particularly suitable for industries such as culture and tourism, second-hand houses and second-hand cars. Audiences may watch and interact through mobile phones, personal computers or VR devices.

For AR live action role playing games to be used in offline scenarios including tourist attractions, users may follow the storyline of the game, take part in the role play and follow the developments of the story using AR scanning, video introductions and 3D displays.

For VR education to be used in schools or for training purposes, we plan to introduce education and training courses on our AR/VR SaaS platform. We plan to provide courses including commonly used development tools, 3D model production, animation production, AR content development and VR content development. Third party instructors or institutions may either use content on our AR/VR SaaS platform or upload their own course materials, which students may study with mobile phones, personal computers or VR devices;

- iii. approximately 3% of the net proceeds, or approximately HK\$18.7 million, is expected to be used to procure IPs in support of the growth of our AR/VR content and AR/VR SaaS businesses over the next 12 to 36 months;

(b) Approximately 25% of the net proceeds, or approximately HK\$155.1 million, is expected to be used for enhancing our sales and marketing function, including:

- 1) approximately 15% of the net proceeds, or approximately HK\$93.1 million, is expected to be used for undertaking marketing activities. Specifically, over the next 12 to 36 months, we intend to use:
 - i. approximately 10% of the net proceeds, or approximately HK\$62.1 million to strengthen our brand image through marketing effort by (i) hosting nationwide and regional summits, forums, exhibitions inviting potential business partners including customers and media platforms; and (ii) promoting our brand, services and products such as through sponsoring programs and campaigns relevant to AR/VR business. We also plan to conduct direct marketing to both our existing customers and potential customers to maintain existing customers and to attract new customers;

FUTURE PLANS AND USE OF PROCEEDS

- ii. approximately 5% of the net proceeds, or approximately HK\$31.0 million to enhance our brand awareness through online channels such as search engines, social media platforms and short-form video platforms. We believe that investment in sales and marketing activities such as online advertisement placements will help us achieve market acceptance, reinforce our market position and enlarge our customer base;
- 2) approximately 10% of the net proceeds, or approximately HK\$62.0 million, is expected to be used for strengthening and optimizing our sales and marketing network.

We plan to recruit 50 to 60 additional sales and marketing staff members with a bachelor's degree or above over the next 12 to 36 months, including five to eight sales managers with more than five years of experience in sales and marketing or customer service to support the growth of our business, attract new customers, retain existing customers and identify cross-sell opportunities. The newly recruited sales and marketing staff members, other than sales managers, are expected to be paid an annual remuneration of approximately RMB180,000 to RMB360,000 (equivalent to approximately HK\$204,000 to HK\$408,000), while the sales managers are expected to be paid an annual remuneration of approximately RMB300,000 to RMB600,000 (equivalent to approximately HK\$340,000 to HK\$680,000). We took into account the number of cities where we plan to expand or build sales teams in determining the number of additional sales and marketing staff members we plan to recruit. We expect an average addition of around 10 headcounts in the sales teams in each city. According to iResearch, our plan to recruit more sales and marketing staff members is also consistent with the industry trend of companies with SaaS products as marketing is crucial to a SaaS company after the initial SaaS product has been developed. We also plan to provide training sessions to our sales and marketing team to enhance sales effectiveness and efficiency.

We currently have sales teams in a number of major cities including Beijing, Shenzhen and Hangzhou, and we plan to expand the current sales teams and recruit and build sales teams in Shanghai, Chengdu, Nanjing and Xi'an to further diversify our customer base and penetrate into more regions where we see demands for our services and product offerings over the next 12 to 36 months. According to iResearch, the AR/VR content and services market size in terms of revenue in China was RMB21.7 billion in 2021 and is expected to increase from RMB35.7 billion in 2022 to RMB130.2 billion in 2026 at a CAGR of 38.2%. The AR/VR content market in terms of revenue in China is expected to increase from RMB30.4 billion in 2022 to RMB106.2 billion in 2026, representing a CAGR of 36.7%. The market size of the AR/VR services market in terms of revenue in China is estimated to increase from RMB5.3 billion in 2022 to RMB24.0 billion in

FUTURE PLANS AND USE OF PROCEEDS

2026, representing a CAGR of 45.9%. In addition, according to iResearch, tier one cities in China with annual gross domestic product of over RMB1 trillion including Shanghai, Beijing, Shenzhen, Chengdu, Hangzhou, Nanjing and Xi'an have stronger demand for AR/VR content and have better growth potentials as there are more companies and business activities in tier one cities which lead to stronger demand for AR/VR content and services. New technologies relating to AR/VR are also more widely applied and adopted early in tier one cities, which provides a base for the prevalence of AR/VR. In light of the considerable scale and the growth potentials of the AR/VR content and services market with AR/VR gaining popularity in China, we believe that there will be sufficient market demand to support our expansion plan and to allow us to further grow and develop our business.

According to iResearch, tier one cities in China with high per capita disposable income and high per capita consumption expenditure of residents including Beijing, Shenzhen, Hangzhou, Shanghai, Chengdu, Nanjing and Xi'an have stronger demand for AR/VR content and services and have growth potentials. We plan to set up new sales teams in Shanghai, Chengdu, Nanjing and Xi'an, each with a team of four members by 2024. Due to the growing market demand in Beijing, Shenzhen and Hangzhou, we plan to expand our existing sales teams in these cities and enhance our sales force. Set out below is a table of the cumulative number of additional sales and marketing staff members we plan to recruit in each city from 2022 to 2024:

City	2022	2023	2024
Beijing	13	25	33
Shenzhen.	5	5	5
Hangzhou	2	3	4
Shanghai	2	3	4
Chengdu	2	3	4
Nanjing	2	3	4
Xi'an.	2	3	4
Total	28	45	58

We also plan to build a CRM marketing system and upgrade the business information platform to reinforce the technical support in formulating marketing strategies and implementing marketing plans, and to enhance our ability to collect, organize and analyze marketing data through the information platform over the next 12 to 36 months.

FUTURE PLANS AND USE OF PROCEEDS

- (c) **Approximately 15% of the net proceeds, or approximately HK\$93.1 million, is expected to be used for selected mergers, acquisitions, and strategic investments, including to continue seeking potential businesses and assets that can supplement or enhance our existing business and are strategically beneficial to our long-term goals in the next 12 to 36 months.** Potential candidates include (i) companies in the AR/VR industry with core technologies supported by IPs which could help us improve our technology capabilities, (ii) companies with competitive advantages in AR/VR interactive content development and production which could help us enrich our content production capabilities, (iii) companies in the AR/VR industry with a wide base of clientele which could help us expand our customer base, and (iv) media platforms with high-quality Internet traffic resources which could mitigate our reliance on media platforms or their agents on the supply of traffic. In selecting acquisition and investment opportunities, we will take into account a number of considerations, including our strategic goals and the target company's market position, management experience, valuation, track record and financial performance. We will select target companies: (i) at a growing stage, (ii) led by senior management with more than five years of experience in AR/VR or marketing industries, (iii) with a successful track record in content production, with robust IPs, talent and technical skills in the AR/VR or AI technologies that we can leverage to expand our capabilities, and (iv) with a revenue of at least RMB10 million for the most recent financial year. As confirmed by iResearch, as the AR/VR content and services industry is growing fast, there are potential suitable acquisition targets readily available in the market. The criteria are subject to adjustment based on changes in the market conditions and our strategic needs. We may consider acquisitions or minority investments when appropriate opportunities arise. In pursuing acquisitions, we are generally flexible in transactional structures. We may also conduct acquisitions in stages.

As of the Latest Practicable Date, we had not identified any specific acquisition target, or adopted a concrete timetable or expected capital expenditure plan to implement any acquisition, and we had not entered into any agreements, commitments or understandings with respect to any such transaction, to which we plan to apply the proceeds from the Global Offering. The timetable for the deployment of the proceeds will be subject to the identification of suitable targets, market conditions and the opportunistic nature of strategic acquisitions;

- (d) **Approximately 10% of the net proceeds, or approximately HK\$62.0 million, is expected to be used for the development of our Feitian Metaverse platform over the next 12 to 36 months.** Among which, (i) approximately HK\$18.6 million is expected to be used to recruit a team of approximately 13 staff members, including five engineers, two product managers, two art designers and four operation and promotion staff members, each with a bachelor's degree or above and more than three years of relevant experience in software engineering, product or operation management, art design or marketing, to develop our Feitian Metaverse

FUTURE PLANS AND USE OF PROCEEDS

platform. The newly recruited engineers are expected to be paid an annual remuneration of approximately RMB420,000 to RMB720,000 (equivalent to approximately HK\$476,000 to HK\$815,000). The newly recruited product managers are expected to be paid an annual remuneration of approximately RMB360,000 to RMB720,000 (equivalent to approximately HK\$408,000 to HK\$815,000). The newly recruited art designers are expected to be paid an annual remuneration of approximately RMB360,000 to RMB720,000 (equivalent to approximately HK\$408,000 to HK\$815,000). The newly recruited operation and promotion staff members are expected to be paid an annual remuneration of approximately RMB240,000 to RMB360,000 (equivalent to approximately HK\$272,000 to HK\$408,000); (ii) approximately HK\$18.6 million is expected to be used to purchase servers with substantial data storage capacities and purchase high performance cloud computing services and high-speed network services; (iii) approximately HK\$12.4 million is expected to be used to engage subcontractors to provide art-designing services; and (iv) approximately HK\$12.4 million is expected to be used to promote our Feitian Metaverse platform through advertising on online channels such as search engines, social media platforms and short-form video platforms.

As of the Latest Practicable Date, we have incurred RMB16 million (equivalent to approximately HK\$18 million) in developing our Feitian Metaverse platform, all of which were from our own funds generated from our operations. We expect to invest a total of approximately HK\$107 million in the development of our Feitian Metaverse platform, among which HK\$62.0 million is expected to be funded by the net proceeds from the Global Offering and HK\$45 million is expected to be funded by our own funds generated from our operations. Out of the estimated HK\$45 million of our own funds invested or to be invested in developing our Feitian Metaverse platform, we expect to utilize HK\$15 million on recruiting talents for developing our Feitian Metaverse platform and HK\$30 million on engaging subcontractors to provide art-designing services and non-core technical support.

According to iResearch, Metaverse is a constantly developing concept and industry. At present, Metaverse is mainly at the 1.0 concept version stage, i.e. the experience attribute stage. At the Metaverse 1.0 stage, the core foundation is the immersive experience based on AR/VR technology. With the development of technology and business models, the virtual world under the Metaverse concept will continue to evolve. When Metaverse develops into stage 2.0, a mature social system and economic system is expected to be formed, reflecting the operation mechanic of the real world. At Metaverse 3.0 stage, the virtual world is expected to form an open and creative environment for all developers, individuals and organizations to create new content. The virtual world is expected to have a broad coverage of real-life scenarios and can reflect all aspects of the users' lives and form a complete and sustainable immersive world. With our accumulated experience in the provision of AR/VR services and content and our possession of AR/VR technologies, we believe that we have a

FUTURE PLANS AND USE OF PROCEEDS

competitive advantage in the Metaverse 1.0 concept version stage. Leveraging on the experience and technologies accumulated from the Metaverse 1.0 concept version stage, we have also been actively preparing ourselves for the future development of the Metaverse by continuously strengthening our AR/VR capabilities and building our Feitian Metaverse platform.

We believe that we will have sufficient research and development capabilities for completing the development of our Feitian Metaverse platform. We had a research and development team of 67 members as of the Latest Practicable Date who possess experience in software engineering and art designs, which knowledge would be transferable in developing our Feitian Metaverse platform. We plan to recruit an additional team of five engineers and two art designers, which is expected to further enhance our research and development capabilities. We may engage subcontractor for some of the areas which we currently do not have capability. In addition, in order to keep abreast of the latest technological developments, we have been gaining experience by participating in the development of Metaverse platforms of leading Internet companies in China.

Similar to our AR/VR SaaS platform which was historically used to support our AR/VR marketing services business, we plan to initially use our Feitian Metaverse platform to facilitate our existing businesses. We plan to provide AR/VR marketing services on our Feitian Metaverse platform and by attracting users to visit the same, our Feitian Metaverse platform is expected to gather traffic for our customers of AR/VR marketing services, thereby reducing a portion of our traffic acquisition costs. In addition, having our own platform and traffic would significantly assist in our understanding of current market trend and user preferences, thereby reducing our reliance on media platforms and their agents. Our Feitian Metaverse platform may consolidate our customers on a single platform which serves as an entry point for our customers to Metaverse. We plan to offer content development services on our Feitian Metaverse platform and plan to charge our customers for the AR/VR content products. For example, users of our Feitian Metaverse platform may engage us to design and construct showrooms, panoramic virtual stores and industrial parks, for which we may charge on the basis similar to our AR/VR content projects. In addition, with the technology and experience accumulated in constructing our Feitian Metaverse platform, we expect to explore more business opportunities with other Metaverse platforms. We have taken initial steps in this regard and have offered AR/VR content to a leading Internet company in China for its Metaverse platform. We plan to connect our AR/VR SaaS platform with our Feitian Metaverse platform, thus providing our customers with one-stop services, which we hope will be able to attract more users to our AR/VR SaaS platform and increase our revenue from subscriptions to our AR/VR SaaS platform. Users of our AR/VR SaaS platform may also experience the content they generated from our AR/VR SaaS platform on our Feitian Metaverse platform;

FUTURE PLANS AND USE OF PROCEEDS

- (e) Approximately 10% of the net proceeds, or approximately HK\$62.1 million, is expected to be used for working capital and general corporate purposes.

The table below sets forth the expected implementation timetable of our planned use of our proceeds:

	For the year ending December 31,			
	2022	2023	2024	Total
	<i>(HK\$ in millions)</i>			
Enhancing our R&D capabilities and improving our services and products				
Developing and optimizing our algorithms and data analysis capabilities	13.6	18.9	29.5	62.0
Upgrading and iterating our AR/VR development engines . .	16.4	15.3	18.0	49.7
Improving our operation capabilities	19.0	9.6	14.7	43.4
Development of our AR/VR content business	12.0	15.1	16.3	43.4
Development of our AR/VR SaaS business	9.5	10.0	11.5	31.0
Procurement of IPs	11.2	3.7	3.8	18.7
Enhancing our sales and marketing function				
Strengthening our brand image through marketing effort	24.8	24.8	12.5	62.1
Enhancing our brand awareness through online channels	12.4	12.4	6.2	31.0
Strengthening and optimizing our sales and marketing network . .	13.0	21.6	27.4	62.0
Selected mergers, acquisitions, and strategic investments. . .	—	37.2	55.9	93.1
Development of our Feitian Metaverse platform	28.7	17.2	16.1	62.0
Working capital and general corporate purposes.	24.8	18.6	18.7	62.1
Total	185.4	204.5	230.6	620.5

FUTURE PLANS AND USE OF PROCEEDS

If the Offer Price is fixed at the high or low end of the Offer Price range (assuming the Over-allotment Option is not exercised), the net proceeds will increase or decrease by approximately HK\$86.9 million (after deducting underwriting fees and expenses related to the Global Offering). We intend to apply the additional or reduced net proceeds to the above uses on a pro rata basis.

If the Over-allotment Option is exercised in full, we will receive additional net proceeds of approximately HK\$112.0 million and approximately HK\$85.9 million if the Offer Price is fixed at the high and low end of the Offer Price range, respectively. We intend to apply the additional net proceeds to the above uses on a pro rata basis.

Should net proceeds from the Global Offering be insufficient for our future plans, we plan to use a combination of cash generated from our operations, bank borrowings and unutilized banking facilities.

If the net proceeds of the Global Offering are not immediately used for the purposes described above, we will only deposit those net proceeds into short-term interest-bearing accounts at licensed commercial banks and/or other authorized financial institutions (as defined under the SFO and/or applicable laws and regulations in relevant jurisdictions).

UNDERWRITING

HONG KONG UNDERWRITERS

Shenwan Hongyuan Securities (H.K.) Limited
CLSA Limited
CMB International Capital Limited
DBS Asia Capital Limited
Huatai Financial Holdings (Hong Kong) Limited
ABCI Securities Company Limited
Citrus Securities Limited
Dragonstone Capital Management Limited
Zhongtai International Securities Limited
China Everbright Securities (HK) Limited
West Bull Securities Limited
China Galaxy International Securities (Hong Kong) Co., Limited
Futu Securities International (Hong Kong) Limited
Tiger Brokers (HK) Global Limited
Livermore Holdings Limited
Valuable Capital Limited
Phillip Securities (Hong Kong) Limited
Zheshang International Financial Holdings Co., Limited

UNDERWRITING ARRANGEMENTS AND EXPENSES

Hong Kong Public Offering

Hong Kong Underwriting Agreement

Pursuant to the Hong Kong Underwriting Agreement, our Company is offering 27,150,000 Hong Kong Offer Shares for subscription by the public in Hong Kong on, and subject to, the terms and conditions set out in this prospectus and the **GREEN** Application Forms.

Subject to:

- (a) the Listing Committee of the Stock Exchange granting or agreeing to grant the approval for the listing of, and permission to deal in, our Shares in issue and to be issued as mentioned in this prospectus and such approval for the listing and permission to deal in the Shares not subsequently having been revoked prior to the commencement of dealings in the Shares on the Stock Exchange; and
- (b) certain other conditions set out in the Hong Kong Underwriting Agreement (including but not limited to the Offer Price being agreed upon between us and the Relevant Global Coordinators),

UNDERWRITING

the Hong Kong Underwriters have agreed severally, and not jointly, to subscribe for, or procure subscribers for, the Hong Kong Offer Shares which are being offered but are not taken up under the Hong Kong Public Offering, on the terms and conditions set out in this prospectus, the **GREEN** Application Forms and the Hong Kong Underwriting Agreement. If, for any reason, the Offer Price is not agreed between us and the Relevant Global Coordinators, the Global Offering will not proceed and will lapse.

The Hong Kong Underwriting Agreement is conditional upon and subject to the International Underwriting Agreement having been signed and becoming unconditional and not having been terminated.

Grounds for termination

The obligations of the Hong Kong Underwriters to subscribe or procure subscribers for the Hong Kong Offer Shares will be subject to termination by notice in writing to our Company from the Relevant Global Coordinators with immediate effect if any of the following events occur at or prior to 8:00 a.m. on the Listing Date:

- (a) there has come to the notice of the Joint Global Coordinators:
 - (i) that any statement contained in any of the Offer Documents (as defined in the Hong Kong Underwriting Agreement) and/or any notices, announcements, advertisements, communications or other documents issued or used by or on behalf of our Company in connection with the Global Offering (including any supplement or amendments thereto) (collectively, the “**Relevant Documents**”), was, when it was issued, or has become, untrue, incorrect, misleading or deceptive in any material respect or that any forecast, expression of opinion, intention or expectation expressed in any of the Relevant Documents is not, in any material respect, fair and honest and based on reasonable assumptions, when taken as a whole; or
 - (ii) that any matter has arisen or has been discovered which would or might, had it arisen or been discovered immediately before the respective dates of the publication of the Relevant Documents, constitute a material omission therefrom; or
 - (iii) any material breach of any of the obligations imposed or to be imposed upon any party to the Hong Kong Underwriting Agreement or the International Underwriting Agreement (in each case, other than on the part of any of the Underwriters); or

UNDERWRITING

- (iv) any material adverse change or development involving a prospective material adverse change in the assets, liabilities, general affairs, management, business prospects, shareholders' equity, profits, losses, results of operations, position or conditions (financial, trading or otherwise) or performance of our Group as a whole; or
 - (v) the approval by the Listing Committee of the Stock Exchange of the listing of, and permission to deal in, the Shares (including any additional Shares that may be issued upon the exercise of the Over-allotment Option) is refused or not granted, or is qualified (other than subject to customary conditions), on or before the Listing Date, or if granted, the approval is subsequently withdrawn, qualified (other than by customary conditions) or withheld; or
 - (vi) our Company withdraws any of the Relevant Documents or the Global Offering; or
 - (vii) any person (other than the Hong Kong Underwriters) has withdrawn or sought to withdraw its consent to being named in any of this prospectus, the Application Forms or the Disclosure Package (as defined in the International Underwriting Agreement) or to the issue of any of this prospectus, the Application Forms or the Disclosure Package (as defined in the International Underwriting Agreement); or
- (b) there shall develop, occur, exist or come into effect:
- (i) any local, national, regional, international event or circumstance, or series of events or circumstances, beyond the reasonable control of the Underwriters (including, without limitation, any acts of government or orders of any courts, strikes, calamity, crisis, lock-outs, fire, explosion, flooding, civil commotion, acts of war, outbreak or escalation of hostilities (whether or not war is declared), acts of God, acts of terrorism, declaration of a local, regional, national or international emergency, riot, public disorder, economic sanctions, outbreaks of diseases, pandemics or epidemics (including, without limitation, Severe Acute Respiratory Syndrome, avian influenza A (H5N1), Swine Flu (H1N1), Middle East Respiratory Syndrome, coronavirus or such related or mutated forms) or interruption or delay in transportation) in or affecting any of Hong Kong, the PRC, the Cayman Islands, the BVI or any other jurisdictions relevant to any member of our Group ("**Group Company**") or the Global Offering (the "**Specific Jurisdictions**"); or
 - (ii) any change or development involving a prospective change, or any event or circumstance or series of events or circumstances likely to result in any change or development involving a prospective change, in any local, regional, national, international, financial, economic, political, military, industrial, fiscal, legal

UNDERWRITING

regulatory, currency, credit or market conditions (including, without limitation, conditions in the stock and bond markets, money and foreign exchange markets, the interbank markets and credit markets) in the Specific Jurisdictions; or

- (iii) any moratorium, suspension or restriction on trading in securities generally (including, without limitation, any imposition of or requirement for any minimum or maximum price limit or price range) on the Stock Exchange, the New York Stock Exchange, the London Stock Exchange, the NASDAQ Global Market, the Shanghai Stock Exchange, the Shenzhen Stock Exchange and the Tokyo Stock Exchange; or
- (iv) any new law(s), rule(s), statute(s), ordinance(s), regulation(s), guideline(s), opinion(s), notice(s), circular(s), order(s), judgment(s), decree(s) or ruling(s) of any governmental authority (“**Law(s)**”), or any change or development involving a prospective change in existing Laws, or any event or circumstance or series of events or circumstances likely to result in any change or development involving a prospective change in the interpretation or application of existing Laws by any court or other competent authority, in each case, in or affecting any of the Specific Jurisdictions; or
- (v) any general moratorium on commercial banking activities, or any disruption in commercial banking activities, foreign exchange trading or securities settlement or clearance services or procedures or matters, in or affecting any of the Specific Jurisdictions; or
- (vi) the imposition of economic sanctions on any Group Company, in whatever form, directly or indirectly, by or for any of the Specific Jurisdictions; or
- (vii) a change or development involving a prospective change in or affecting taxation or exchange control (or the implementation of any exchange control), currency exchange rates or foreign investment Laws (including, without limitation, any change in the system under which the value of the Hong Kong currency is linked to that of the currency of the United States or a material fluctuation in the exchange rate of the Hong Kong dollar or the Renminbi against any foreign currency) in or affecting any of the Specific Jurisdictions; or
- (viii) any change or development involving a prospective change in, or a materialisation of, any of the risks set out in the section headed “Risk Factors” in this prospectus; or

UNDERWRITING

- (ix) any litigation or claim of any third party being threatened or instigated against any Group Company or any of the Directors; or
- (x) any of our Directors and senior management members of our Company as set out in the section headed “Directors and Senior Management” in this prospectus being charged with an indictable offence or prohibited by operation of Law or otherwise disqualified from taking part in the management of a company; or
- (xi) the chairman or chief executive officer of our Company vacating his or her office; or
- (xii) the commencement by any governmental, regulatory or political body or organisation of any public action against a Director in his or her capacity as such or an announcement by any governmental, regulatory or political body or organisation that it intends to take any such action; or
- (xiii) a contravention by any Group Company or any Director of the Listing Rules, the Companies Ordinance or any other Laws applicable to the Global Offering; or
- (xiv) a prohibition on our Company for whatever reason from allotting, issuing or selling the Offer Shares and/or the Over-allotment Shares (as defined in the Hong Kong Underwriting Agreement) pursuant to the terms of the Global Offering; or
- (xv) non-compliance of this prospectus and the other Relevant Documents or any aspect of the Global Offering with the Listing Rules or any other Laws applicable to the Global Offering; or
- (xvi) the issue or requirement to issue by our Company of a supplement or amendment to this prospectus pursuant to the Companies (Winding Up and Miscellaneous Provisions) Ordinance, the Listing Rules or any requirement or request of the Stock Exchange and/or the SFC; or
- (xvii) a valid demand by any creditor for repayment or payment of any indebtedness of any Group Company or in respect of which any Group Company is liable prior to its stated maturity; or
- (xviii) any loss or damage has been sustained by our Group as a whole (howsoever caused and whether or not the subject of any insurance or claim against any person); or

UNDERWRITING

- (xix) a portion of the orders in the bookbuilding process, at the time the International Underwriting Agreement is entered into, or the investment commitments by any cornerstone investors after signing of agreements with such cornerstone investors, have been withdrawn, terminated or cancelled; or
- (xx) an authority or a political body or organization in any relevant jurisdiction has commenced any investigation or other action, or announced an intention to investigate or take other action, against any of the Directors; or
- (xxi) a petition or an order is presented for the winding-up or liquidation of any Group Company or any Group Company makes any composition or arrangement with its creditors or enters into a scheme of arrangement or any resolution is passed for the winding-up of any Group Company or a provisional liquidator, receiver or manager is appointed to take over all or part of the assets or undertaking of any Group Company or anything analogous thereto occurs in respect of any Group Company; or
- (xxii) any breach of, or any event or circumstance rendering untrue or incorrect in any respect, any of the representations, warranties, agreements and undertakings to be given by the Warrantors (as defined in the Hong Kong Underwriting Agreement) respectively in terms set out in the Hong Kong Underwriting Agreement; or
- (xxiii) any event, act or omission which gives or is likely to give rise to any liability of any of the Warrantors pursuant to the indemnities given by them under the Hong Kong Underwriting Agreement or under the International Underwriting Agreement,

which in each case individually or in aggregate at the absolute opinion of the Relevant Global Coordinators:

- (a) has or is or will or may be expected to have a material adverse effect on the assets, liabilities, business, general affairs, management, shareholders' equity, profits, losses, results of operation, financial, trading or other condition or position or prospects or risks of our Company or our Group as a whole; or
- (b) has or will or may be expected to have a material adverse effect on the success, marketability or pricing of the Global Offering or the level of applications under the Hong Kong Public Offering or the level of interest under the International Offering; or

UNDERWRITING

- (c) makes or will make or may make it inadvisable, inexpedient or impracticable for any material part of the Hong Kong Underwriting Agreement or the Global Offering to be performed or implemented or proceeded with as envisaged; or
- (d) has or will or may have a material adverse effect on the success of the Global Offering.

Undertakings given to the Stock Exchange pursuant to the Listing Rules

By our Company

We have undertaken to the Stock Exchange that we shall not issue any further Shares or securities convertible into our equity securities (whether or not of a class already listed) or enter into any agreement to issue any such Shares or securities within six months from the Listing Date (whether or not such issue of Shares will be completed within six months from the Listing Date), except pursuant to the Global Offering, the exercise of the Over-allotment Option or for the circumstances as permitted under Rule 10.08 of the Listing Rules.

By our Controlling Shareholders

Pursuant to Rule 10.07 of the Listing Rules, each of our Controlling Shareholders has undertaken to us and to the Stock Exchange that except pursuant to the Global Offering, the Over-allotment Option or the Stock Borrowing Agreement, it shall not, and will procure that none of the registered holder(s) of the Shares in which it has a beneficial interest or its controlled companies or associates or nominees or trustees will:

- (a) in the period commencing on the date by reference to which disclosure of its shareholdings in our Company is made in this prospectus and ending on the date which is six months from the Listing Date, dispose of, nor enter into any agreement to dispose of or otherwise create any options, rights, interests or encumbrances in respect of, any of our securities that he/it is shown to beneficially own in this prospectus (the “**Relevant Shares**”); or
- (b) in the period of a further six months commencing on the date on which the period referred to in paragraph (a) above expires, dispose of, nor enter into any agreement to dispose of or otherwise create any options, rights, interests or encumbrances in respect of, any of the Relevant Shares if, immediately following such disposal or upon the exercise or enforcement of such options, rights, interests or encumbrances, he/it will cease to be a controlling shareholder (as defined in the Listing Rules) of our Company or would together with the other Controlling Shareholders cease to be, or regarded as, a group of controlling shareholders (as defined in the Listing Rules) of our Company.

UNDERWRITING

Each of our Controlling Shareholders has further undertaken to us and the Stock Exchange that, within the period commencing on the date by reference to which disclosure of its shareholdings in our Company is made in this prospectus and ending on the date which is 12 months from the Listing Date, it will:

- (a) when it pledges or charges any securities in our Company beneficially owned by it in favor of any authorised institution as permitted under Note (2) to Rule 10.07(2) of the Listing Rules, immediately inform us and the Stock Exchange of such pledge or charge together with the number of our securities so pledged or charged; and
- (b) when it receives indications, either verbal or written, from the pledgee or chargee that any of our pledged or charged securities beneficially owned by it will be disposed of, immediately inform us and the Stock Exchange of such indications.

We will also inform the Stock Exchange as soon as we have been informed of the matters mentioned in the paragraphs (a) and (b) above by any of our Controlling Shareholders and subject to the then requirements of the Listing Rules disclose such matters by way of an announcement which is published in accordance with Rule 2.07C of the Listing Rules as soon as possible.

Undertakings given to the Hong Kong Underwriters

Undertakings by our Company

Our Company has undertaken to each of the Sole Sponsor, the Joint Global Coordinators, the Joint Bookrunners, the Joint Lead Managers and the other Hong Kong Underwriters that, and each of the other Warrantors undertakes to procure that, except pursuant to the Global Offering (including pursuant to the Over-allotment Option), otherwise pursuant to the Listing Rules and the exercise of any options granted or to be granted under the Post-IPO Share Option Scheme, during the period commencing on the date of the Hong Kong Underwriting Agreement and ending on, and including, the date that is six months after the Listing Date (the “**First Six-Month Period**”), we will not, and will procure each other Group Company not to, without the prior written consent of the Sole Sponsor and the Relevant Global Coordinators and unless in compliance with the requirements of the Listing Rules:

- (a) (except for the allotment and issue of shares or equity securities by any Group Company to our Company or any other Group Company) allot, issue, sell, accept subscription for, offer to allot, issue or sell, contract or agree to allot, issue or sell, mortgage, charge, pledge, hypothecate, lend, grant or sell any option, warrant, contract or right to subscribe for or purchase, grant or purchase any option, warrant, contract or right to allot, issue or sell, or otherwise transfer or dispose of or create a pledge, charge, lien, mortgage, option, restriction, right of first refusal, security interest, claim, pre-emption

UNDERWRITING

rights, equity interest, third party rights or interests or rights of the same nature as that of the foregoing or other encumbrances or security interest of any kind or another type of preferential arrangement (including without limitation, retention arrangement) having similar effect (“**Encumbrance**”) over, or agree to transfer or dispose of or create an Encumbrance over, either directly or indirectly, conditionally or unconditionally, any Shares or other equity securities of our Company or any shares or other equity securities of such other Group Company existing as of the Listing Date, as applicable, or any interest in any of the foregoing (including, without limitation, any securities convertible into or exchangeable or exercisable for or that represent the right to receive, or any other warrants or other rights to purchase, any Shares or any equity securities of our Company or any shares or equity securities of such other Group Company existing as of the Listing Date, as applicable), or deposit any Shares or other equity securities of our Company or any shares or other equity securities of such other Group Company existing as of the Listing Date, as applicable, with a depositary in connection with the issue of depositary receipts; or repurchase any Shares or other equity securities of our Company or any shares or other equity securities of such other Group Company existing as of the Listing Date, as applicable; or

- (b) (except for the transfer of shares or equity securities of any Group Company to our Company or any other Group Company) enter into any swap or other arrangement that transfers to another, in whole or in part, any of the economic consequences of ownership of any Shares or other equity securities of our Company or any shares or other equity securities of such other Group Company existing as of the Listing Date, as applicable, or any interest in any of the foregoing (including, without limitation, any securities convertible into or exchangeable or exercisable for or that represent the right to receive, or any warrants or other rights to purchase, any Shares or other equity securities of our Company or any shares or other equity securities of such other Group Company existing as of the Listing Date, as applicable); or
- (c) enter into any transaction with the same economic effect as any transactions specified in (a) or (b) above; or
- (d) offer to or agree to or announce any intention to effect any transaction specified in (a), (b) or (c) above,

in each case, whether any of the transactions specified in (a), (b) or (c) above is to be settled by delivery of Shares or other equity securities of our Company or shares or other equity securities of such other Group Company existing as of the Listing Date, as applicable, or in cash or otherwise (whether or not the issue of such Shares or other shares or securities will be completed within the First Six-Month Period).

UNDERWRITING

Our Company has also undertaken that it will not, and will procure each other Group Company and the Controlling Shareholders not to, enter into any of the transactions specified in (a), (b) or (c) above or offer to or agree to or announce any intention to effect any such transaction, such that any of our Controlling Shareholders would cease to be a controlling shareholder (as defined in the Listing Rules) of our Company or would together with the other Controlling Shareholders cease to be, or regarded as, a group of controlling shareholders (as defined in the Listing Rules) of our Company during the period of six months immediately following the expiry of the First Six-Month Period (the “**Second Six-Month Period**”).

In the event that, during the Second Six-Month Period, our Company enters into any of the transactions specified in (a), (b) or (c) above or offers to or agrees to or announces any intention to effect any such transaction, our Company shall take all reasonable steps to ensure that it will not create a disorderly or false market in any Shares or other equity securities of our Company.

By Mr. Wang, Mr. Li, Wang BVI, Li BVI and Brainstorming Cafe

Each of Mr. Wang, Mr. Li, Wang BVI, Li BVI and Brainstorming Cafe has undertaken jointly and severally to each of our Company, the Sole Sponsor, the Joint Global Coordinators, the Joint Bookrunners, the Joint Lead Managers and the other Hong Kong Underwriters that, except pursuant to the Stock Borrowing Agreement and in compliance with the requirements under Rule 10.07(3) of the Listing Rules, without the prior written consent of the Sole Sponsor and the Relevant Global Coordinators:

- (i) at any time during the First Six-Month Period, it/he shall not, and shall procure that the relevant registered holder(s), any nominee or trustee holding on trust for it/him and the companies controlled by it/he (together, the “**Controlled Entities**”) shall not,
 - (a) sell, offer to sell, contract or agree to sell, mortgage, charge, pledge, hypothecate, lend, grant or sell any option, warrant, contract or right to sell, or otherwise transfer or dispose of or create an Encumbrance over, or agree to transfer or dispose of or create an Encumbrance over, either directly or indirectly, conditionally or unconditionally, any Shares or other securities of our Company or any interest therein (including, without limitation, any securities convertible into or exchangeable or exercisable for or that represent the right to receive, or any warrants or other rights to purchase, any Shares) beneficially owned by it/him directly or indirectly through its Controlled Entities (the “**Relevant Securities**”), or deposit any Relevant Securities with a depositary in connection with the issue of depositary receipts; or
 - (b) enter into any swap or other arrangement that transfers to another, in whole or in part, any of the economic consequences of ownership of the Relevant Securities; or

UNDERWRITING

- (c) enter into or effect any transaction with the same economic effect as any of the transactions referred to in sub-paragraphs (a) or (b) above; or
 - (d) offer to or agree to or announce any intention to enter into or effect any of the transactions referred to in sub-paragraphs (a), (b) or (c) above, in each case whether any of the foregoing transactions referred to in sub-paragraphs (a), (b) or (c) is to be settled by delivery of Shares or any other securities of our Company or in cash or otherwise (whether or not the issue of such Shares or other securities will be completed within the First Six-Month Period);
- (ii) at any time during the Second Six-Month Period, it/he shall not, and shall procure that the Controlled Entities shall not, enter into any of the transactions referred to in (i)(a), (b) or (c) above or offer to or agree to or announce any intention to enter into any such transaction if, immediately following any sale, transfer or disposal or upon the exercise or enforcement of any option, right, interest or Encumbrance pursuant to such transaction, it/he would cease to be a controlling shareholder (as defined in the Listing Rules) of our Company or would together with the other Controlling Shareholders cease to be, or regarded as, a group of controlling shareholders (as defined in the Listing Rules) of our Company;
 - (iii) in the event that it/he enters into any of the transactions specified in (i)(a), (b) or (c) above or offer to or agrees to or announce any intention to effect any such transaction within the Second Six-Month Period, it/he shall take all reasonable steps to ensure that it/he will not create a disorderly or false market for any Shares or other securities of our Company; and
 - (iv) it/he shall, and shall procure that the relevant registered holder(s) and other Controlled Entities shall, comply with all the restrictions and requirements under the Listing Rules on the sale, transfer or disposal by it/he or by the registered holder(s) and/or other Controlled Entities of any Shares or other securities of our Company.

Each of Mr. Wang, Mr. Li, Wang BVI, Li BVI and Brainstorming Cafe has further undertaken to each of our Company, the Sole Sponsor, the Joint Global Coordinators, the Joint Bookrunners, the Joint Lead Managers and the other Hong Kong Underwriters that, within the period from the date by reference to which disclosure of their shareholding in our Company is made in this prospectus and ending on the date which is twelve months from the Listing Date, it/he will:

UNDERWRITING

- (i) when it/he pledges or charges any securities or interests in the Relevant Securities in favour of an authorised institution pursuant to Note 2 to Rule 10.07(2) of the Listing Rules, immediately inform our Company and the Sole Sponsor in writing of such pledges or charges together with the number of securities and nature of interest so pledged or charged; and
- (ii) when it/he receives indications, either verbal or written, from any pledgee or chargee that any of the pledged or charged securities or interests in the securities of our Company will be sold, transferred or disposed of, immediately inform our Company and the Sole Sponsor in writing of such indications.

Underwriters' interests in our Group

Save for their respective obligations under the Hong Kong Underwriting Agreement and the International Underwriting Agreement or as otherwise disclosed in this prospectus, as of the Latest Practicable Date, none of the Underwriters was interested directly or indirectly in any of our Shares or securities or any shares or securities of any other member of our Group or had any right or option (whether legally enforceable or not) to subscribe for, or to nominate persons to subscribe for, any of our Shares or securities or any shares or securities of any other member of our Group.

Following the completion of the Capitalization Issue and the Global Offering, the Underwriters and their affiliated companies may hold a certain portion of our Shares as a result of fulfilling their respective obligations under the Hong Kong Underwriting Agreement and International Underwriting Agreement.

The Sole Sponsor's Independence

The Sole Sponsor satisfies the independence criteria applicable to sponsors set out in Rule 3A.07 of the Listing Rules.

The International Offering

International Offering

In connection with the International Offering, we expect to enter into the International Underwriting Agreement on the Price Determination Date with, among others, the International Underwriters. Under the International Underwriting Agreement, the International Underwriters would, subject to certain conditions, severally and not jointly, agree to purchase the International Offer Shares or procure purchasers for the International Offer Shares initially being offered pursuant to the International Offering. See the paragraph headed "Structure of the Global Offering — International Offering" in this prospectus.

UNDERWRITING

Under the International Underwriting Agreement, we intend to grant to the International Underwriters the Over-allotment Option, exercisable in whole or in part at one or more times, at the absolute discretion of the Relevant Global Coordinators from the Listing Date until 30 days from the last day for the lodging of applications under the Hong Kong Public Offering to require us to issue and allot up to an aggregate of 40,725,000 additional Offer Shares, representing 15% of the Offer Shares initially available under the Global Offering and at the Offer Price, to cover, among other things, any over-allocations in the International Offering, if any.

Total Commission and Expenses

We will pay the Relevant Global Coordinators an underwriting commission of 2.5% of the aggregate Offer Price of the Hong Kong Offer Shares initially offered under the Hong Kong Public Offering (excluding any International Offer Shares reallocated to the Hong Kong Public Offering and any Hong Kong Offer Shares reallocated to the International Offering), out of which the Underwriters will pay all sub-underwriting commission, if any. For unsubscribed Hong Kong Offer Shares reallocated to the International Offering, we will pay an underwriting commission at the rate applicable to the International Offering and such commission will be paid to the Joint Global Coordinators and the relevant International Underwriters, but not the Hong Kong Underwriters. In respect of the International Offering, we will pay an underwriting commission of 2.5% of the aggregate Offer Price of the International Offer Shares, including any Shares which may be allotted under the exercise of the Over-allotment Option, subject to the reallocation and market condition. In addition, we may, at our sole and absolute discretion, pay to the Underwriter(s) an additional incentive fee of up to 2.0% of the aggregate Offer Price of the Offer Shares from the Global Offering, including proceeds from the exercise of the Over-allotment Option.

Assuming the Over-allotment Option is not exercised and based on an Offer Price of HK\$2.55 (being the mid-point of the stated range of the Offer Price between HK\$2.21 and HK\$2.88), the aggregate commissions and estimated expenses, together with the Stock Exchange listing fee, SFC transaction levy, Stock Exchange trading fee, Financial Reporting Council transaction levy, legal and other professional fees, printing and other fees and expenses relating to the Global Offering, are estimated to amount in aggregate to HK\$70.4 million in total and are payable by us.

Indemnity

We have undertaken to indemnify and keep indemnified on demand (on an after-tax basis) and hold harmless each of the Joint Global Coordinators, the Joint Bookrunners, the Joint Lead Managers, the Sole Sponsor and the Hong Kong Underwriters (for themselves and on trust for their directors, officers, employees, agents, assignees and affiliates involved in the Global

UNDERWRITING

Offering) from and against certain losses which they may suffer, including losses arising from their performance of their obligations under the Hong Kong Underwriting Agreement and any breach by us of the Hong Kong Underwriting Agreement.

Restrictions on the Offer Shares

No action has been taken to permit a public offering of the Offer Shares, other than in Hong Kong, or the distribution of this prospectus in any jurisdiction other than Hong Kong. Accordingly, this prospectus may not be used for the purpose of, and does not constitute, an offer or invitation in any jurisdiction or in any circumstances in which such an offer or invitation is not authorised or to any person to whom it is unlawful to make such an offer or invitation.

STRUCTURE OF THE GLOBAL OFFERING

THE GLOBAL OFFERING

This prospectus is published in connection with the Hong Kong Public Offering as part of the Global Offering. The Global Offering comprises:

- the Hong Kong Public Offering of initially 27,150,000 Offer Shares (subject to adjustments as mentioned below) in Hong Kong as described below in the paragraph below headed “The Hong Kong Public Offering”; and
- the International Offering of initially 244,350,000 Offer Shares (subject to adjustments and the Over-allotment Option as described below) outside the United States (including to professional, institutional and corporate investors and other investors anticipated to have a sizeable demand for the Offer Shares in Hong Kong) in offshore transactions in reliance on Regulation S.

Investors may either:

- apply for the Hong Kong Offer Shares under the Hong Kong Public Offering; or
- apply for or indicate an interest for the International Offer Shares under the International Offering,

but may not do both.

The 271,500,000 Offer Shares in the Global Offering will represent 15% of our enlarged share capital immediately after the Capitalization Issue and the completion of the Global Offering, without taking into account the exercise of the Over-allotment Option. If the Over-allotment Option is exercised in full, the Offer Shares will represent approximately 16.87% of our enlarged share capital immediately following the Capitalization Issue and the completion of the Global Offering.

References to applications, application monies or procedure for applications relate solely to the Hong Kong Public Offering.

STRUCTURE OF THE GLOBAL OFFERING

THE HONG KONG PUBLIC OFFERING

Number of Offer Shares initially offered

We are initially offering for subscription by the public in Hong Kong 27,150,000 Offer Shares, representing 10% of the total number of Offer Shares initially available under the Global Offering. Subject to the reallocation of Offer Shares between the International Offering and the Hong Kong Public Offering, the number of Offer Shares offered under the Hong Kong Public Offering will represent 1.5% of our enlarged issued share capital immediately after completion of the Capitalization Issue and the Global Offering, assuming the Over-allotment Option is not exercised.

The Hong Kong Public Offering is open to members of the public in Hong Kong as well as to institutional and professional investors. Professional investors generally include brokers, dealers, companies (including fund managers) whose ordinary business involves dealing in shares and other securities and corporate entities that regularly invest in shares and other securities.

Completion of the Hong Kong Public Offering is subject to the conditions as set forth below in the paragraph headed “Conditions of the Global Offering”.

Allocation

Allocation of Hong Kong Offer Shares to investors under the Hong Kong Public Offering will be based on the level of valid applications received under the Hong Kong Public Offering. The basis of allocation may vary depending on the number of Hong Kong Offer Shares validly applied for by applicants. We may, if necessary, allocate the Hong Kong Offer Shares on the basis of balloting, which would mean that some applicants may receive a higher allocation than others who have applied for the same number of Hong Kong Offer Shares and those applicants who are not successful in the ballot may not receive any Hong Kong Offer Shares.

For allocation purposes only, the total number of Offer Shares available under the Hong Kong Public Offering (after taking into account any reallocation referred to below) is to be divided equally into two pools:

- **Pool A:** The Hong Kong Offer Shares in pool A will be allocated on an equitable basis to applicants who have applied for the Hong Kong Offer Shares with an aggregate subscription price of HK\$5 million or less (excluding brokerage, SFC transaction levy, Stock Exchange trading fee and Financial Reporting Council transaction levy payable); and

STRUCTURE OF THE GLOBAL OFFERING

- **Pool B:** The Hong Kong Offer Shares in pool B will be allocated on an equitable basis to applicants who have applied for the Hong Kong Offer Shares with an aggregate subscription price of more than HK\$5 million and up to the value of pool B (excluding brokerage, SFC transaction levy, Stock Exchange trading fee and Financial Reporting Council transaction levy payable).

Investors should be aware that applications in pool A and applications in pool B may receive different allocation ratios. If the Hong Kong Offer Shares in one (but not both) of the pools are under-subscribed, the surplus Hong Kong Offer Shares will be transferred to the other pool to satisfy demand in the pool and be allocated accordingly. For the purpose of this subsection only, the “subscription price” for the Hong Kong Offer Shares means the price payable on application therefor (without regard to the Offer Price as finally determined). Applicants can only receive an allocation of Hong Kong Offer Shares from either pool A or pool B but not from both pools. Multiple or suspected multiple applications under the Hong Kong Public Offering and any application for more than 13,575,000 Hong Kong Offer Shares will be rejected.

Reallocation

The allocation of the Offer Shares between the Hong Kong Public Offering and the International Offering is subject to reallocation at the discretion of the Relevant Global Coordinators, subject to the following:

- (a) where the International Offer Shares are fully subscribed or oversubscribed:
 - (i) if the Hong Kong Offer Shares are undersubscribed, the Relevant Global Coordinators has the authority to reallocate all or any unsubscribed Hong Kong Offer Shares to the International Offering, in such proportions as the Relevant Global Coordinators deems appropriate;
 - (ii) if the number of Offer Shares validly applied for under the Hong Kong Public Offering represents less than 15 times the number of the Offer Shares initially available for subscription under the Hong Kong Public Offering, then up to 27,150,000 Offer Shares may be reallocated to the Hong Kong Public Offering from the International Offering, so that the total number of the Offer Shares available under the Hong Kong Public Offering will be increased to 54,300,000 Offer Shares, representing 20% of the total number of the Offer Shares initially available under the Global Offering;

STRUCTURE OF THE GLOBAL OFFERING

- (iii) if the number of Offer Shares validly applied for under the Hong Kong Public Offering represents (1) 15 times or more but less than 50 times, (2) 50 times or more but less than 100 times, and (3) 100 times or more of the number of Offer Shares initially available under the Hong Kong Public Offering, the Offer Shares will be reallocated to the Hong Kong Public Offering from the International Offering in accordance with the clawback requirements set forth in paragraph 4.2 of Practice Note 18 of the Listing Rules, so that the total number of Hong Kong Offer Shares will be increased to 81,450,000 Offer Shares (in the case of (1)), 108,600,000 Offer Shares (in the case of (2)) and 135,750,000 Offer Shares (in the case of (3)), representing 30%, 40% and 50% of the Offer Shares initially available under the Global Offering, respectively;
- (b) where the International Offer Shares are undersubscribed:
 - (i) if the Hong Kong Offer Shares are also undersubscribed, the Global Offering will not proceed unless the Underwriters would subscribe for or procure subscribers for their respective applicable proportions of the Offer Shares being offered which are not taken up under the Global Offering on the terms and conditions of this Prospectus and the Underwriting Agreements; and
 - (ii) if the Hong Kong Offer Shares are fully subscribed or oversubscribed (irrespective of the extent of over-subscription), then up to 27,150,000 Offer Shares may be reallocated to the Hong Kong Public Offering from the International Offering, so that the total number of the Offer Shares available under the Hong Kong Public Offering will be increased to 54,300,000 Offer Shares, representing 20% of the total number of the Offer Shares initially available under the Global Offering.

In the event of reallocation of Offer Shares from the International Offering to the Hong Kong Public Offering in the circumstances described in paragraph (a)(ii) or (b)(ii) above, the final Offer Price shall be fixed at the bottom end of the Offer Price Range (i.e. HK\$2.21 per Offer Share) according to HKEX Guidance Letter HKEX-GL91-18 issued by the Stock Exchange.

In all cases of reallocation of Offer Shares from the International Offering to the Hong Kong Public Offering, the additional Offer Shares reallocated to the Hong Kong Public Offering will be allocated between pool A and pool B in equal proportion and the number of Offer Shares allocated to the International Offering will be correspondingly reduced.

STRUCTURE OF THE GLOBAL OFFERING

Applications

Each applicant under the Hong Kong Public Offering will be required to give an undertaking and confirmation in the application submitted by him that he and any person(s) for whose benefit he is making the application has not applied for or taken up, or indicated an interest for, and will not apply for or take up, or indicate an interest for, any International Offer Shares under the International Offering, and such applicant's application is liable to be rejected if the said undertaking and/or confirmation is breached and/or untrue (as the case may be) or it has been or will be placed or allocated International Offer Shares under the International Offering.

Applicants under the Hong Kong Public Offering are required to pay, on application, maximum price of HK\$2.88 per Offer Share in addition to brokerage of 1.0%, SFC transaction levy of 0.0027%, Stock Exchange trading fee of 0.005% and Financial Reporting Council transaction levy of 0.00015% on each Offer Share, amounting to a total of HK\$2,909.02 for one board lot of 1,000 Shares. If the Offer Price, as finally determined on the Price Determination Date in the manner as described below in the paragraph headed "Pricing and Allocation", is less than the maximum price of HK\$2.88 per Offer Share, appropriate refund payments (including brokerage, SFC transaction levy, Stock Exchange trading fee and Financial Reporting Council transaction levy attributable to the surplus application monies) will be made to successful applicants, without interest. For further details, see the section headed "How to Apply for Hong Kong Offer Shares" in this prospectus.

THE INTERNATIONAL OFFERING

Number of Offer Shares Initially Offered

We will be initially offering for subscription under the International Offering 244,350,000 Offer Shares, representing 90% of the Offer Shares under the Global Offering. Subject to the reallocation of Offer Shares between the International Offering and the Hong Kong Public Offering, the number of Offer Shares offered under the International Offering will represent 13.5% of our enlarged issued share capital immediately after completion of the Capitalization Issue and the Global Offering, assuming the Over-allotment Option is not exercised.

Allocation

The International Offer Shares will conditionally be offered to selected professional, institutional and corporate investors and other investors anticipated to have a sizeable demand for our Offer Shares in Hong Kong and other jurisdictions outside the United States in offshore transactions in reliance on Regulation S. Professional investors generally include brokers, dealers, companies (including fund managers) whose ordinary business involves dealing in shares and other

STRUCTURE OF THE GLOBAL OFFERING

securities and corporate entities which regularly invest in shares and other securities. Prospective professional, institutional and other investors will be required to specify the number of the International Offer Shares under the International Offering they would be prepared to acquire either at different prices or at a particular price. This process, known as “book-building,” is expected to continue up to the Price Determination Date.

Allocation of the International Offer Shares pursuant to the International Offering will be determined by the Relevant Global Coordinators and will be based on a number of factors including the level and timing of demand, total size of the relevant investor’s invested assets or equity assets in the relevant sector and whether or not it is expected that the relevant investor is likely to buy further, and/or hold or sell its Shares, after the listing of the Shares on the Stock Exchange. Such allocation is intended to result in a distribution of the International Offer Shares on a basis which would lead to the establishment of a solid professional and institutional shareholder base to the benefit of our Company and our Shareholders as a whole.

The Relevant Global Coordinators may require any investor who has been offered Offer Shares under the International Offering and who has made an application under the Hong Kong Public Offering to provide sufficient information to the Relevant Global Coordinators so as to allow them to identify the relevant applications under the Hong Kong Public Offering and to ensure that they are excluded from any applications of Hong Kong Offer Shares under the Hong Kong Public Offering.

Reallocation

The total number of Offer Shares to be issued pursuant to the International Offering may change as a result of the clawback arrangement as described above in the paragraph headed “The Hong Kong Public Offering — Reallocation” or the Over-allotment Option in whole or in part and/or any reallocation of unsubscribed Offer Shares originally included in the Hong Kong Public Offering.

OVER-ALLOTMENT OPTION

In connection with the Global Offering, it is expected that we will grant the Over-allotment Option to the International Underwriters.

Pursuant to the Over-allotment Option, the International Underwriters will have the right, exercisable by the Relevant Global Coordinators at any time from the Listing Date until 30 days after the last day for lodging applications under the Hong Kong Public Offering, to require our Company to issue up to 40,725,000 Shares, representing 15% of the Offer Shares initially available

STRUCTURE OF THE GLOBAL OFFERING

under the Global Offering, at the Offer Price under the International Offering to, among other things (such as effecting the permitted stabilising actions as set out in the paragraph headed “Stabilisation” below), cover over-allocations in the International Offering, if any.

If the Over-allotment Option is exercised in full, the additional Shares to be issued pursuant thereto will represent approximately 2.20% of our enlarged issued share capital immediately following the completion of the Capitalization Issue and the Global Offering. In the event that the Over-allotment Option is exercised, an announcement will be made.

STABILISATION

Stabilisation is a practice used by underwriters in some markets to facilitate the distribution of securities. To stabilise, the underwriters may bid for, or purchase, the securities in the secondary market, during a specified period of time, to retard and, if possible, prevent a decline in the initial public market price of the securities below the offer price. Such transactions may be effected in all jurisdictions where it is permissible to do so, in each case in compliance with all applicable laws and regulatory requirements, including those of Hong Kong. In Hong Kong, the price at which stabilisation is effected is not permitted to exceed the offer price.

In connection with the Global Offering, the Stabilising Manager, or any person acting for it, on behalf of the Underwriters, may over-allocate or effect transactions with a view to stabilising or supporting the market price of our Shares at a level higher than that which might otherwise prevail in the open market for a limited period after the Listing Date. However, there is no obligation on the Stabilising Manager or any persons acting for it to conduct any such stabilising action. Such stabilising action, if taken, will be conducted at the absolute discretion of the Stabilising Manager or any person acting for it and may be discontinued at any time, and is required to be brought to an end on the 30th day after the last day for lodging applications under the Hong Kong Public Offering.

Stabilisation action permitted in Hong Kong under the Securities and Futures (Price Stabilising) Rules of the SFO includes (i) over-allocating for the purpose of preventing or minimizing any reduction in the market price of our Shares, (ii) selling or agreeing to sell our Shares so as to establish a short position in them for the purpose of preventing or minimizing any reduction in the market price of our Shares, (iii) purchasing, or agreeing to purchase, our Shares pursuant to the Over-allotment Option in order to close out any position established under (i) or (ii) above, (iv) purchasing, or agreeing to purchase, any of our Shares for the sole purpose of preventing or minimising any reduction in the market price of our Shares, (v) selling or agreeing to sell any Shares in order to liquidate any position established as a result of those purchases, and (vi) offering or attempting to do anything as described in (ii), (iii), (iv) or (v) above.

STRUCTURE OF THE GLOBAL OFFERING

Specifically, prospective applicants for and investors in Shares should note that:

- the Stabilising Manager (or any person acting for it) may, in connection with the stabilising action, maintain a long position in the Shares;
- there is no certainty as to the extent to which and the time or period for which the Stabilising Manager (or any person acting for it) will maintain such a long position;
- liquidation of any such long position by the Stabilising Manager (or any person acting for it) and selling in the open market may have an adverse impact on the market price of the Shares;
- no stabilising action can be taken to support the price of the Shares for longer than the stabilising period which will begin on the Listing Date and is expected to expire on Sunday, November 6, 2022, being the 30th day after the last day for lodging applications under the Hong Kong Public Offering. After this date, when no further action may be taken to support the price of the Shares, demand for the Shares, and therefore the price of the Shares, could fall;
- the price of the Shares cannot be assured to stay at or above the Offer Price by the taking of any stabilising action; and
- stabilising bids or transactions effected in the course of the stabilising action may be made at any price at or below the Offer Price, which means that stabilising bids or transactions effected may be made at a price below the price paid by applicants for, or investors in, the Offer Shares.

Our Company will ensure or procure that an announcement in compliance with the Securities and Futures (Price Stabilising) Rules of the SFO will be made within seven days of the expiration of the stabilisation period.

OVER-ALLOCATION

Following any over-allocation of Shares in connection with the Global Offering, the Stabilising Manager (or any person acting for it) may cover such over-allocations by (among other methods) exercising the Over-allotment Option in full or in part, using Shares purchased by the Stabilising Manager (or any person acting for it) in the secondary market at prices that do not exceed the Offer Price, or through the stock borrowing arrangement as detailed below or a combination of these means.

STRUCTURE OF THE GLOBAL OFFERING

STOCK BORROWING AGREEMENT

In order to facilitate the settlement of over-allocations in connection with the Global Offering, the Stabilising Manager may choose to enter into an agreement with Brainstorming Cafe, a Controlling Shareholder, to borrow, whether on its own or through its affiliates, up to 40,725,000 Shares, representing 15% of the total number of the Offer Shares initially available for the Global Offering. The stock borrowing arrangement under such an agreement, if entered into, will not be subject to the restrictions of Rule 10.07(1)(a) of the Listing Rules, provided that the requirements set forth in Rule 10.07(3) of the Listing Rules are complied with as follows:

- such stock borrowing arrangement is fully described in this prospectus and must be for the sole purpose of covering any short position prior to the exercise of the Over-allotment Option;
- the maximum number of Shares to be borrowed from Brainstorming Cafe by the Stabilising Manager (or any person acting for it) is the maximum number of Shares that may be issued upon full exercise of the Over-allotment Option;
- the same number of Shares so borrowed must be returned to Brainstorming Cafe or its nominee(s) within three business days following the earlier of (a) the last day on which the Over-allotment Option may be exercised, and (b) the day on which the Over-allotment Option is exercised in full;
- the stock borrowing arrangement will be effected in compliance with all applicable listing rules, laws and other regulatory requirements; and
- no payment will be made to Brainstorming Cafe by the Stabilising Manager (or any person acting for it) in relation to such stock borrowing arrangement.

PRICING AND ALLOCATION

Our Company and the Relevant Global Coordinators will determine the Offer Price and sign an agreement on the Price Determination Date, when market demand for the Offer Shares will be determined. The Price Determination Date is expected to be on or around Monday, October 10, 2022, and in any event, not later than Wednesday, October 12, 2022.

The Offer Price will not be more than HK\$2.88 per Offer Share and is expected to be not less than HK\$2.21 per Offer Share, unless otherwise announced, as further explained below. If you apply for the Offer Shares under the Hong Kong Public Offering, you must pay the maximum

STRUCTURE OF THE GLOBAL OFFERING

price of HK\$2.88 per Offer Share, plus brokerage of 1.0%, SFC transaction levy of 0.0027%, Stock Exchange trading fee of 0.005% and Financial Reporting Council transaction levy of 0.00015%, amounting to a total of HK\$2,909.02 for one board lot of 1,000 Shares.

If the Offer Price, as finally determined in the manner described below, is lower than HK\$2.88, we will refund the respective difference, including brokerage, SFC transaction levy, Stock Exchange trading fee and Financial Reporting Council transaction levy attributable to the surplus application monies. We will not pay interest on any refunded amounts. For more details, see the section headed “How to Apply for Hong Kong Offer Shares” in this prospectus.

The International Underwriters will be soliciting from prospective investors indications of interest in acquiring Offer Shares in the International Offering. Prospective professional and institutional investors will be required to specify the number of Offer Shares under the International Offering they would be prepared to acquire either at different prices or at a particular price. This process, known as “book-building”, is expected to continue up to, and to cease on or around, the last day for lodging applications under the Hong Kong Public Offering.

The Relevant Global Coordinators may, where considered appropriate, based on the level of interest expressed by prospective professional, institutional and other investors during the book-building process, and with the consent of our Company, reduce the number of Offer Shares and/or the Offer Price Range below that stated in this prospectus at any time prior to the morning of the last day for lodging applications under the Hong Kong Public Offering. In such a case, we will as soon as practicable following the decision to make such reduction and in any event not later than the morning of the last day for lodging applications under the Hong Kong Public Offering publish an announcement on the website of the Stock Exchange at www.hkexnews.hk and our website at www.flowingcloud.com (the contents of the website do not form a part of this prospectus). Upon issue of such an announcement, the revised number of Offer Shares and/or offer price range will be final and conclusive and the Offer Price, if agreed upon by us, will be fixed within such revised offer price range.

As soon as practicable after such reduction of the number of Offer Shares and/or the Offer Price Range, we will also issue a supplemental prospectus updating investors of such reduction together with an update of all financial and other information in connection with such change, and, where appropriate, extend the period under which the Hong Kong Public Offering is open for acceptance, and give potential investors who had applied for the Offer Shares to withdraw their applications.

Before submitting applications for the Hong Kong Offer Shares, applicants should have regard to the possibility that any announcement of a reduction in the number of Offer Shares and/or the Offer Price Range may not be made until the day which is the last day for lodging

STRUCTURE OF THE GLOBAL OFFERING

applications under the Hong Kong Public Offering. Such notice will also confirm or revise, as appropriate, the working capital statement, the Global Offering statistics as currently set out in the section headed “Summary” in this prospectus, and any other financial information which may change as a result of such reduction. In the absence of any such notice so published, the Offer Price, if agreed upon with our Company and the Relevant Global Coordinators will under no circumstances be set outside the Offer Price Range as stated in this prospectus.

If you have already submitted an application for the Hong Kong Offer Shares before the last day for lodging applications under the Hong Kong Public Offering, you will not be allowed to subsequently withdraw your application. However, if the number of Offer Shares and/or the Offer Price Range is reduced, applicants will be notified that they are required to confirm their applications. If applicants have been so notified but have not confirmed their applications in accordance with the procedure to be notified, all unconfirmed applications will be deemed revoked.

In the event of a reduction in the number of Offer Shares, the Relevant Global Coordinators may, at its discretion, reallocate the number of Offer Shares to be offered in the Hong Kong Public Offering and the International Offering, provided that the number of Offer Shares comprised in the Hong Kong Public Offering shall not be less than 10% of the total number of Offer Shares available under the Global Offering (assuming the Over-allotment Option is not exercised).

The final Offer Price, the level of indication of interest in the International Offering, the basis of allotment of Offer Shares available under the Hong Kong Public Offering and the Hong Kong identity card/passport/Hong Kong business registration/certificate of incorporation numbers of successful applicants under the Hong Kong Public Offering are expected to be made available in a variety of channels in the manner described in the paragraph headed “How to Apply for Hong Kong Offer Shares — 11. Publication of Results” in this prospectus.

CONDITIONS OF THE GLOBAL OFFERING

Acceptance of all applications for Offer Shares is conditional on:

- the Listing Committee granting approval for the listing of, and permission to deal in, our Shares in issue and to be issued as described in this prospectus (including the Shares which may be issued pursuant to the exercise of the Over-allotment Option);
- the Offer Price having been agreed between us and the Relevant Global Coordinators;
- the execution and delivery of the International Underwriting Agreement on or about the Price Determination Date; and

STRUCTURE OF THE GLOBAL OFFERING

- the obligations of the Hong Kong Underwriters under the Hong Kong Underwriting Agreement and the obligations of the International Underwriters under the International Underwriting Agreement becoming unconditional and not having been terminated in accordance with the terms of the respective agreements,

in each case on or before the dates and times specified in the Hong Kong Underwriting Agreement and/or the International Underwriting Agreement, as the case may be (unless and to the extent such conditions are validly waived on or before such dates and times) and in any event not later than Saturday, October 29, 2022, being the 30th date after the date of this prospectus.

If, for any reason, the Offer Price is not agreed between us and the Relevant Global Coordinators on or before the Price Determination Date, the Global Offering will not proceed and will lapse.

The consummation of each of the Hong Kong Public Offering and the International Offering is conditional upon, among other things, each other offering becoming unconditional and not having been terminated in accordance with its respective terms. If the above conditions are not fulfilled or waived prior to the times and dates specified, the Global Offering will lapse and the Stock Exchange will be notified immediately. Notice of the lapse of the Hong Kong Public Offering will be published by our Company on the website of the Stock Exchange at www.hkexnews.hk and our website at www.floatingcloud.com on the next day following such lapse. In such an event, all application monies will be returned, without interest, on the terms set out in the paragraph headed “How to Apply for Hong Kong Offer Shares — 13. Refund of Application Monies” in this prospectus. In the meantime, all application monies will be held in separate bank account(s) with the receiving bank or other bank(s) in Hong Kong licensed under the Banking Ordinance (Chapter 155 of the Laws of Hong Kong).

UNDERWRITING AGREEMENTS

The Hong Kong Public Offering is fully underwritten by the Hong Kong Underwriters under the terms of the Hong Kong Underwriting Agreement and is subject to, among other conditions, us and the Relevant Global Coordinators agreeing on the Offer Price on the Price Determination Date.

We expect to enter into the International Underwriting Agreement relating to the International Offering on the Price Determination Date.

Certain terms of the underwriting arrangements, the Hong Kong Underwriting Agreement and the International Underwriting Agreement, are summarized in the section headed “Underwriting” in this prospectus.

STRUCTURE OF THE GLOBAL OFFERING

DEALING ARRANGEMENTS

Assuming that the Hong Kong Public Offering becomes unconditional at or before 8:00 a.m. in Hong Kong on Tuesday, October 18, 2022, it is expected that dealings in our Shares on the Stock Exchange will commence at 9:00 a.m. on Tuesday, October 18, 2022.

The Shares will be traded in board lots of 1,000 Shares each.

HOW TO APPLY FOR HONG KONG OFFER SHARES

IMPORTANT NOTICE TO INVESTORS: FULLY ELECTRONIC APPLICATION PROCESS

We have adopted a fully electronic application process for the Hong Kong Public Offering. We will not provide any printed copies of this prospectus or any printed copies of any application forms for use by the public.

This prospectus is available at the website of the Stock Exchange at www.hkexnews.hk under the “HKEXnews > New Listings > New Listing Information” section, and our website at www.floatingcloud.com. If you require a printed copy of this prospectus, you may download and print from the website addresses above.

The contents of the electronic version of this prospectus are identical to the printed prospectus as registered with the Registrar of Companies in Hong Kong pursuant to Section 342C of the Companies (Winding Up and Miscellaneous Provisions) Ordinance.

Set out below are procedures through which you can apply for the Hong Kong Offer Shares electronically. We will not provide any physical channels to accept any application for the Hong Kong Offer Shares by the public.

If you are an intermediary, broker or agent, please remind your customers, clients or principals, as applicable, that this prospectus is available online at the website addresses above.

1. HOW TO APPLY

We will not provide any printed application forms for use by the public.

To apply for Hong Kong Offer Shares, you may:

- (1) apply online via the **HK eIPO White Form** service in the **IPO App** (which can be downloaded by searching “**IPO App**” in App Store or Google Play or downloaded at www.hkeipo.hk/IPOApp or www.tricorglobal.com/IPOApp) or at www.hkeipo.hk; or
- (2) apply through the **CCASS EIPO** service to electronically cause HKSCC Nominees to apply on your behalf, including by:
 - (i) instructing your broker or custodian who is a CCASS Clearing Participant or a CCASS Custodian Participant to give **electronic application instructions** via CCASS terminals to apply for the Hong Kong Offer Shares on your behalf; or

HOW TO APPLY FOR HONG KONG OFFER SHARES

- (ii) (if you are an existing CCASS Investor Participant) giving **electronic application instructions** through the CCASS Internet System (<https://ip.ccass.com>) or through the CCASS Phone System by calling +852 2979 7888 (using the procedures in HKSCC’s “An Operating Guide for Investor Participants” in effect from time to time). HKSCC can also input **electronic application instructions** for CCASS Investor Participants through HKSCC’s Customer Service Centre at 1/F, One & Two Exchange Square, 8 Connaught Place, Central, Hong Kong by completing an input request.

If you apply through channel (1) above, the Hong Kong Offer Shares successfully applied for will be issued in your own name.

If you apply through channels (2)(i) or (2)(ii) above, the Hong Kong Offer Shares successfully applied for will be issued in the name of HKSCC Nominees and deposited directly into CCASS to be credited to your or a designated CCASS Participant’s stock account.

None of you or your joint applicant(s) may make more than one application, except where you are a nominee and provide the required information in your application.

Our Company, the Relevant Global Coordinators, the **HK eIPO White Form** Service Provider and their respective agents may reject or accept any application in full or in part for any reason at their discretion.

2. WHO CAN APPLY

You can apply for Hong Kong Offer Shares if you or the person(s) for whose benefit you are applying:

- are 18 years of age or older; and
- are outside the United States, and are not a United States Person (as defined in Regulation S under the U.S. Securities Act).

If you apply online through the **HK eIPO White Form** service, in addition to the above, you must also: (i) have a valid Hong Kong identity card number/passport number (for individual applicant) or Hong Kong business registration number/certificate of incorporation number (for body corporate applicant), (ii) have a Hong Kong address, and (iii) provide a valid e-mail address and a contact telephone number.

HOW TO APPLY FOR HONG KONG OFFER SHARES

If you are applying for the Hong Kong Offer Shares online by instructing your **broker** or **custodian** who is a CCASS Clearing Participant or a CCASS Custodian Participant to give **electronic application instructions** via CCASS terminals, please contact them for the items required for the application.

The application for the Hong Kong Offer Shares will commence on Thursday, September 29, 2022 through Friday, October 7, 2022. Such time period is longer than the normal market practice of four days. The application monies (including brokerage, SFC transaction levy, Stock Exchange trading fee and Financial Reporting Council transaction levy) will be held by the receiving bank on behalf of our Company and the refund monies, if any, will be returned to the applicant(s) without interest on Monday, October 17, 2022. Investors should be aware that the dealings in our Shares on the Stock Exchange are expected to commence on Tuesday, October 18, 2022. Investors may not be able to sell or deal in our Shares during the period between the Price Determination Date, which is expected to be on or around Monday, October 10, 2022, and, in any event, not later than Wednesday, October 12, 2022, and the Listing Date. Our Shareholders are subject to the risk that the price of our Shares could fall before trading begins, as a result of adverse market conditions or other adverse developments that could occur between the Price Determination Date and the Listing Date.

If you are a firm, the application must be in the individual members' names.

The number of joint applicants may not exceed four.

Unless permitted by the Listing Rules, you cannot apply for any Hong Kong Offer Shares if you:

- are an existing beneficial owner of Shares in our Company and/or any its subsidiaries;
- are a Director or chief executive officer of our Company and/or any of its subsidiaries;
- are a close associate (as defined in the Listing Rules) of any of the above; or
- have been allocated or have applied for or indicated an interest in any Offer Shares or otherwise participate in the International Offering.

HOW TO APPLY FOR HONG KONG OFFER SHARES

3. TERMS AND CONDITIONS OF AN APPLICATION

By applying through the application channels specified in this prospectus, among other things, you:

- (i) undertake to execute all relevant documents and instruct and authorise our Company and/or the Relevant Global Coordinators (or their respective agents or nominees), as agents of our Company, to execute any documents for you and to do on your behalf all things necessary to register any Hong Kong Offer Shares allocated to you in your name or in the name of HKSCC Nominees as required by the Articles of Association;
- (ii) agree to comply with the Cayman Companies Act, the Companies (Winding Up and Miscellaneous Provisions) Ordinance and the Articles of Association;
- (iii) confirm that you have read the terms and conditions and application procedures set out in this prospectus, and agree to be bound by them;
- (iv) confirm that you have received and read this prospectus and have only relied on the information and representations contained in this prospectus in making your application and will not rely on any other information or representations except those in any supplement to this prospectus;
- (v) confirm that you are aware of the restrictions on the Global Offering set out in this prospectus;
- (vi) agree that none of our Company, the Sole Sponsor, the Relevant Global Coordinators, the Underwriters, the **HK eIPO White Form** Service Provider, their respective directors, officers, employees, partners, agents, advisors and any other parties involved in the Global Offering is or will be liable for any information and representations not in this prospectus (and any supplement to it);
- (vii) undertake and confirm that you or the person(s) for whose benefit you have made the application have not applied for or taken up, or indicated an interest for, and will not apply for or take up, or indicate an interest for, any Offer Shares under the International Offering nor participated in the International Offering;
- (viii) agree to disclose to our Company, our Hong Kong Share Registrar, receiving bank, the Relevant Global Coordinators, the Underwriters and/or their respective advisors and agents any personal data which they may require about you and the person(s) for whose benefit you have made the application;

HOW TO APPLY FOR HONG KONG OFFER SHARES

- (ix) if the laws of any place outside Hong Kong apply to your application, agree and warrant that you have complied with all such laws and none of our Company, the Relevant Global Coordinators and the Underwriters nor any of their respective directors, officers, employees, partners, agents, advisors and any other parties involved in the Global Offering will breach any law outside Hong Kong as a result of the acceptance of your offer to purchase, or any action arising from your rights and obligations under the terms and conditions contained in this prospectus;
- (x) agree that once your application has been accepted, you may not rescind it because of an innocent misrepresentation;
- (xi) agree that your application will be governed by the laws of Hong Kong;
- (xii) represent, warrant and undertake that (i) you understand that the Hong Kong Offer Shares have not been and will not be registered under the U.S. Securities Act; and (ii) you and any person for whose benefit you are applying for the Hong Kong Offer Shares are outside the United States (as defined in Regulation S) or are a person described in paragraph (h)(3) of Rule 902 of Regulation S;
- (xiii) warrant that the information you have provided is true and accurate;
- (xiv) agree to accept the Hong Kong Offer Shares applied for, or any lesser number allocated to you under the application;
- (xv) authorise our Company to place your name(s) or the name of the HKSCC Nominees, on our Company's register of members as the holder(s) of any Hong Kong Offer Shares allocated to you, and our Company and/or its agents to send any Share certificate(s) and/or any e-Auto Refund payment instructions and/or any refund check(s) to you or the first named applicant for joint application by ordinary post at your own risk to the address stated on the application, unless you are eligible to collect the Share certificate(s) and/or refund check(s) in person;
- (xvi) declare and represent that this is the only application made and the only application intended by you to be made to benefit you or the person for whose benefit you are applying;
- (xvii) understand that our Company and the Joint Global Coordinators will rely on your declarations and representations in deciding whether or not to make any allotment of any of the Hong Kong Offer Shares to you and that you may be prosecuted for making a false declaration;

HOW TO APPLY FOR HONG KONG OFFER SHARES

(xviii) (if the application is made for your own benefit) warrant that no other application has been or will be made for your benefit by giving **electronic application instructions** to HKSCC or to the **HK eIPO White Form** Service Provider by you or by any one as your agent or by any other person; and

(xix) (if you are making the application as an agent for the benefit of another person) warrant that (i) no other application has been or will be made by you as agent for or for the benefit of that person or by that person or by any other person as agent for that person by giving **electronic application instructions** to HKSCC or to the **HK eIPO White Form** Service Provider; and (ii) you have due authority to give **electronic application instructions** on behalf of that other person as their agent.

For the avoidance of doubt, our Company and all other parties involved in the preparation of this prospectus acknowledge that each applicant and CCASS Participant who gives or causes to give **electronic application instructions** is a person who may be entitled to compensation under Section 40 of the Companies (Winding Up and Miscellaneous Provisions) Ordinance (as applied by Section 342E of the Companies (Winding Up and Miscellaneous Provisions) Ordinance).

HOW TO APPLY FOR HONG KONG OFFER SHARES

4. MINIMUM APPLICATION AMOUNT AND PERMITTED NUMBERS

Your application through the **HK eIPO White Form** service or the **CCASS EIPO** service must be for a minimum of 1,000 Hong Kong Offer Shares and in one of the numbers set out in the table below. You are required to pay the amount next to the number you select.

No. of Hong Kong Offer Shares applied for	Amount payable on application	No. of Hong Kong Offer Shares applied for	Amount payable on application	No. of Hong Kong Offer Shares applied for	Amount payable on application	No. of Hong Kong Offer Shares applied for	Amount payable on application
HK\$		HK\$		HK\$		HK\$	
1,000	2,909.02	30,000	87,270.78	500,000	1,454,513.04	5,000,000	14,545,130.40
2,000	5,818.06	35,000	101,815.91	600,000	1,745,415.65	6,000,000	17,454,156.48
3,000	8,727.07	40,000	116,361.04	700,000	2,036,318.25	7,000,000	20,363,182.56
4,000	11,636.11	45,000	130,906.17	800,000	2,327,220.87	8,000,000	23,272,208.64
5,000	14,545.13	50,000	145,451.31	900,000	2,618,123.47	9,000,000	26,181,234.72
6,000	17,454.16	60,000	174,541.57	1,000,000	2,909,026.08	10,000,000	29,090,260.80
7,000	20,363.18	70,000	203,631.82	1,500,000	4,363,539.12	11,000,000	31,999,286.88
8,000	23,272.20	80,000	232,722.09	2,000,000	5,818,052.16	12,000,000	34,908,312.96
9,000	26,181.24	90,000	261,812.35	2,500,000	7,272,565.20	13,575,000 ⁽¹⁾	39,490,029.03
10,000	29,090.26	100,000	290,902.61	3,000,000	8,727,078.24		
15,000	43,635.39	200,000	581,805.21	3,500,000	10,181,591.28		
20,000	58,180.53	300,000	872,707.83	4,000,000	11,636,104.32		
25,000	72,725.65	400,000	1,163,610.43	4,500,000	13,090,617.36		

(1) Maximum number of Hong Kong Offer Shares you may apply for.

No application for any other number of the Hong Kong Offer Shares will be considered and any such application is liable to be rejected.

HOW TO APPLY FOR HONG KONG OFFER SHARES

5. APPLYING THROUGH THE HK eIPO WHITE FORM SERVICE

General

Applicants who meet the criteria as described in the paragraph above headed “— 2. Who Can Apply”, may apply through the **HK eIPO White Form** service for the Offer Shares to be allotted and registered in their own names through the **IPO App** or the designated website at www.hkeipo.hk.

Detailed instructions for application through the **HK eIPO White Form** service are in the **IPO App** or on the designated website. If you do not follow the instructions, your application may be rejected and may not be submitted to our Company. If you apply through the **IPO App** or the designated website, you authorise the **HK eIPO White Form** Service Provider to apply on the terms and conditions in this prospectus, as supplemented and amended by the terms and conditions of the **HK eIPO White Form** service.

The application for the Hong Kong Offer Shares will commence on Thursday, September 29, 2022 through Friday, October 7, 2022. Such time period is longer than the normal market practice of four days. The application monies (including brokerage, SFC transaction levy, Stock Exchange trading fee and Financial Reporting Council transaction levy) will be held by the receiving bank on behalf of our Company and the refund monies, if any, will be returned to the applicant(s) without interest on Monday, October 17, 2022. Investors should be aware that the dealings in our Shares on the Stock Exchange are expected to commence on Tuesday, October 18, 2022. Investors may not be able to sell or deal in our Shares during the period between the Price Determination Date, which is expected to be on or around Monday, October 10, 2022, and, in any event, not later than Wednesday, October 12, 2022, and the Listing Date. Our Shareholders are subject to the risk that the price of our Shares could fall before trading begins, as a result of adverse market conditions or other adverse developments that could occur between the Price Determination Date and the Listing Date.

HOW TO APPLY FOR HONG KONG OFFER SHARES

Time for Submitting Applications under the HK eIPO White Form Service

You may submit your application through the **HK eIPO White Form** service in the **IPO App** or on the designated website at www.hkeipo.hk (24 hours daily, except on the last application day) from 9:00 a.m. on Thursday, September 29, 2022 until 11:30 a.m. on Friday, October 7, 2022 and the latest time for completing full payment of application monies in respect of such applications will be 12:00 noon on Friday, October 7, 2022 or such later time under the paragraph below headed “10. Effect of Bad Weather and/or Extreme Conditions on the Opening of the Applications Lists” in this section.

6. APPLYING THROUGH THE CCASS EIPO SERVICE

General

CCASS Participants may give **electronic application instructions** to apply for the Hong Kong Offer Shares and to arrange payment of the money due on application and payment of refunds under their participant agreements with HKSCC and the General Rules of CCASS and the CCASS Operational Procedures.

If you are a CCASS Investor Participant, you may give these **electronic application instructions** through the CCASS Phone System by calling +852 2979 7888 or through the CCASS Internet System at <https://ip.ccass.com> (using the procedures in HKSCC’s “An Operating Guide for Investor Participants” in effect from time to time).

HKSCC can also input **electronic application instructions** for you if you go to:

Hong Kong Securities Clearing Company Limited
Customer Service Centre
1/F, One & Two Exchange Square
8 Connaught Place, Central
Hong Kong

and complete an input request form.

If you are not a CCASS Investor Participant, you may instruct your broker or custodian who is a CCASS Clearing Participant or a CCASS Custodian Participant to give **electronic application instructions** via CCASS terminals to apply for the Hong Kong Offer Shares on your behalf.

You will be deemed to have authorised HKSCC and/or HKSCC Nominees to transfer the details of your application to our Company, the Joint Global Coordinators and our Hong Kong Share Registrar.

HOW TO APPLY FOR HONG KONG OFFER SHARES

Applying through the CCASS EIPO Service

Where you have applied through the **CCASS EIPO** service, (either indirectly through a broker or custodian or directly) and an application is made by HKSCC Nominees on your behalf:

- (i) HKSCC Nominees will only be acting as a nominee for you and is not liable for any breach of the terms of this prospectus;
- (ii) HKSCC Nominees will do the following things on your behalf:
 - agree that the Hong Kong Offer Shares to be allotted shall be issued in the name of HKSCC Nominees and deposited directly into CCASS for the credit of the CCASS Participant's stock account on your behalf or your CCASS Investor Participant's stock account;
 - agree to accept the Hong Kong Offer Shares applied for or any lesser number allocated;
 - undertake and confirm that you have not applied for or taken up, will not apply for or take up, or indicate an interest for, any Offer Shares under the International Offering;
 - (if the **electronic application instructions** are given for your benefit) declare that only one set of **electronic application instructions** has been given for your benefit;
 - (if you are an agent for another person) declare that you have only given one set of **electronic application instructions** for the other person's benefit and are duly authorised to give those instructions as their agent;
 - confirm that you understand that our Company, our Directors and the Joint Global Coordinators will rely on your declarations and representations in deciding whether or not to make any allotment of any of the Hong Kong Offer Shares to you and that you may be prosecuted if you make a false declaration;
 - authorise our Company to place HKSCC Nominees' name on our Company's register of members as the holder of the Hong Kong Offer Shares allocated to you and to send Share certificate(s) and/or refund monies under the arrangements separately agreed between us and HKSCC;

HOW TO APPLY FOR HONG KONG OFFER SHARES

- confirm that you have read the terms and conditions and application procedures set out in this prospectus and agree to be bound by them;
- confirm that you have received and/or read a copy of this prospectus and have relied only on the information and representations in this prospectus in causing the application to be made, save as set out in any supplement to this prospectus;
- agree that none of our Company, the Sole Sponsor, the Joint Global Coordinators, the Underwriters, their respective directors, officers, employees, partners, agents, advisors and any other parties involved in the Global Offering, is or will be liable for any information and representations not contained in this prospectus (and any supplement to it);
- agree to disclose your personal data to our Company, our Hong Kong Share Registrar, receiving bank, the Joint Global Coordinators, the Underwriters and/or their respective advisors and agents;
- agree (without prejudice to any other rights which you may have) that once HKSCC Nominees' application has been accepted, it cannot be rescinded for innocent misrepresentation;
- agree that any application made by HKSCC Nominees on your behalf is irrevocable on or before the fifth day after the time of the opening of the application lists (excluding any day which is a Saturday, Sunday or public holiday in Hong Kong), such agreement to take effect as a collateral contract with us and to become binding when you give the instructions and such collateral contract to be in consideration of our Company agreeing that it will not offer any Hong Kong Offer Shares to any person on or before the fifth day after the time of the opening of the application lists (excluding any day which is Saturday, Sunday or public holiday in Hong Kong), except by means of one of the procedures referred to in this prospectus. However, HKSCC Nominees may revoke the application on or before the fifth day after the time of the opening of the application lists (excluding for this purpose any day which is a Saturday, Sunday or public holiday in Hong Kong) if a person responsible for this prospectus under Section 40 of the Companies (Winding Up and Miscellaneous Provisions) Ordinance (as applied by Section 342E of the Companies (Winding Up and Miscellaneous Provisions) Ordinance) gives a public notice under that section which excludes or limits that person's responsibility for this prospectus;

HOW TO APPLY FOR HONG KONG OFFER SHARES

- agree that once HKSCC Nominees' application is accepted, neither that application nor your **electronic application instructions** can be revoked, and that acceptance of that application will be evidenced by our Company's announcement of the results of the Hong Kong Public Offering;
- agree to the arrangements, undertakings and warranties under the participant agreement between you and HKSCC, read with the General Rules of CCASS and the CCASS Operational Procedures, for the giving **electronic application instructions** to apply for Hong Kong Offer Shares;
- agree with our Company, for itself and for the benefit of each Shareholder (and so that our Company will be deemed by its acceptance in whole or in part of the application by HKSCC Nominees to have agreed, for itself and on behalf of each of the Shareholders, with each CCASS Participant giving **electronic application instructions**) to observe and comply with the Cayman Companies Act, the Companies (Winding Up and Miscellaneous Provisions) Ordinance and the Articles of Association; and
- agree that your application, any acceptance of it and the resulting contract will be governed by the Laws of Hong Kong.

Effect of Applying through the CCASS EIPO Service

By applying through the **CCASS EIPO** service, you (and, if you are joint applicants, each of you jointly and severally) are deemed to have done the following things. Neither HKSCC nor HKSCC Nominees shall be liable to our Company or any other person in respect of the things mentioned below:

- instructed and authorized HKSCC to cause HKSCC Nominees (acting as nominee for the relevant CCASS Participants) to apply for the Hong Kong Offer Shares on your behalf;
- instructed and authorized HKSCC to arrange payment of the maximum Offer Price, brokerage, SFC transaction levy, the Stock Exchange trading fee and the Financial Reporting Council transaction levy by debiting your designated bank account and, in the case of a wholly or partially unsuccessful application and/or if the Offer Price is less than the maximum Offer Price per Offer Share initially paid on application, refund of the application monies (including brokerage, SFC transaction levy, the Stock Exchange trading fee and the Financial Reporting Council transaction levy) by crediting your designated bank account; and

HOW TO APPLY FOR HONG KONG OFFER SHARES

- instructed and authorized HKSCC to cause HKSCC Nominees to do on your behalf all the things stated in this prospectus.

Time for Inputting Electronic Application Instructions⁽¹⁾

CCASS Clearing/Custodian Participants can input **electronic application instructions** at the following times on the following dates:

Thursday, September 29, 2022 — 9:00 a.m. to 8:30 p.m.
Friday, September 30, 2022 — 8:00 a.m. to 8:30 p.m.
Monday, October 3, 2022 — 8:00 a.m. to 8:30 p.m.
Wednesday, October 5, 2022 — 8:00 a.m. to 8:30 p.m.
Thursday, October 6, 2022 — 8:00 a.m. to 8:30 p.m.
Friday, October 7, 2022 — 8:00 a.m. to 12:00 noon

(1) These times in this sub-paragraph are subject to change as HKSCC may determine from time to time with prior notification to CCASS Clearing/Custodian Participants and/or CCASS Investor Participants.

CCASS Investor Participants can input **electronic application instructions** from 9:00 a.m. on Thursday, September 29, 2022 until 12:00 noon on Friday, October 7, 2022 (24 hours daily, except on Friday, October 7, 2022, the last application day).

The latest time for inputting your **electronic application instructions** will be 12:00 noon on Friday, October 7, 2022, the last application day or such later time as described in the paragraph below headed “10. Effect of Bad Weather and/or Extreme Conditions on the Opening of the Application Lists” in this section.

Personal Data

The following Personal Information Collection Statement applies to any personal data held by our Company, the Hong Kong Share Registrar, the receiving bank, the Joint Global Coordinators, the Underwriters and/or their respective advisors and agents about you in the same way as it applies to personal data about applicants other than HKSCC Nominees. By applying through the **CCASS EIPO** service, you agree to all of the terms of the Personal Information Collection Statement below.

HOW TO APPLY FOR HONG KONG OFFER SHARES

Personal Information Collection Statement

This Personal Information Collection Statement informs applicant for, and holder of, the Hong Kong Offer Shares, of the policies and practices of our Company and its Hong Kong Share Registrar in relation to personal data and the Personal Data (Privacy) Ordinance (Chapter 486 of the Laws of Hong Kong).

Reasons for the Collection of Your Personal Data

It is necessary for applicants and registered holders of the Hong Kong Offer Shares to supply correct personal data to our Company or its agents and the Hong Kong Share Registrar when applying for the Hong Kong Offer Shares or transferring the Hong Kong Offer Shares into or out of their names or in procuring the services of the Hong Kong Share Registrar.

Failure to supply the requested data may result in your application for the Hong Kong Offer Shares being rejected, or in delay or the inability of our Company or its Hong Kong Share Registrar to effect transfers or otherwise render their services. It may also prevent or delay registration or transfers of the Hong Kong Offer Shares which you have successfully applied for and/or the dispatch of Share certificate(s) to which you are entitled.

It is important that the holders of the Hong Kong Offer Shares inform our Company and the Hong Kong Share Registrar immediately of any inaccuracies in the personal data supplied.

Purposes

Your personal data may be used, held, processed, and/or stored (by whatever means) for the following purposes:

- processing your application and refund check or e-Auto Refund payment instruction, where applicable, verification of compliance with the terms and application procedures set out in this prospectus and announcing results of allocation of the Hong Kong Offer Shares;
- compliance with applicable laws and regulations in Hong Kong and elsewhere;
- registering new issues or transfers into or out of the names of the holders of the Shares including, where applicable, HKSCC Nominees;
- maintaining or updating our Company's Register of Members;

HOW TO APPLY FOR HONG KONG OFFER SHARES

- verifying identities of the holders of the Shares;
- establishing benefit entitlements of holders of the Shares, such as dividends, rights issues, bonus issues, etc.;
- distributing communications from our Company and its subsidiaries;
- compiling statistical information and profiles of the holder of the Shares;
- disclosing relevant information to facilitate claims on entitlements; and
- any other incidental or associated purposes relating to the above and/or to enable our Company and the Hong Kong Share Registrar to discharge their obligations to holders of the Shares and/or regulators and/or any other purposes to which the holders of the Shares may from time to time agree.

Transfer of Personal Data

Personal data held by our Company and the Hong Kong Share Registrar relating to the holders of the Hong Kong Offer Shares will be kept confidential but our Company and the Hong Kong Share Registrar may, to the extent necessary for achieving any of the above purposes, disclose, obtain or transfer (whether within or outside Hong Kong) the personal data to, from or with any of the following:

- our Company's appointed agents such as financial advisors, receiving bankers and overseas principal share registrar;
- where applicants for the Hong Kong Offer Shares request a deposit into CCASS, HKSCC or HKSCC Nominees, who will use the personal data for the purposes of operating CCASS;
- any agents, contractors or third-party service providers who offer administrative, telecommunications, computer, payment or other services to our Company or the Hong Kong Share Registrar in connection with their respective business operation;
- the Stock Exchange, the SFC and any other statutory regulatory or governmental bodies or otherwise as required by laws, rules or regulations; and

HOW TO APPLY FOR HONG KONG OFFER SHARES

- any persons or institutions with which the holders of the Hong Kong Offer Shares have or propose to have dealings, such as their bankers, solicitors, accountants or stockbrokers etc.

Retention of Personal Data

Our Company and the Hong Kong Share Registrar will keep the personal data of the applicants and holders of the Hong Kong Offer Shares for as long as necessary to fulfil the purposes for which the personal data were collected. Personal data which is no longer required will be destroyed or dealt with in accordance with the Personal Data (Privacy) Ordinance (Chapter 486 of the Laws of Hong Kong).

Access to and Correction of Personal Data

Holders of the Hong Kong Offer Shares have the right to ascertain whether our Company or the Hong Kong Share Registrar hold their personal data, to obtain a copy of that data, and to correct any data that is inaccurate. Our Company and the Hong Kong Share Registrar have the right to charge a reasonable fee for the processing of such requests. All requests for access to data or correction of data should be addressed to our Company, at our Company's registered address disclosed in the section headed "Corporate Information" in this prospectus or as notified from time to time, for the attention of the secretary, or our Company's Hong Kong Share Registrar for the attention of the privacy compliance officer.

7. WARNING FOR ELECTRONIC APPLICATIONS

The subscription of the Hong Kong Offer Shares through the **CCASS eIPO** service (directly or indirectly through your broker or custodian) is only a facility provided to CCASS Participants. Similarly, the application for Hong Kong Offer Shares through the **HK eIPO White Form** service is also only a facility provided by the **HK eIPO White Form** Service Provider to public investors. Such facilities are subject to capacity limitations and potential service interruptions and you are advised not to wait until the last application day in making your electronic applications. Our Company, our Directors, the Sole Sponsor, the Joint Global Coordinators and the Underwriters take no responsibility for such applications and provide no assurance that any CCASS Participant or person applying through the **HK eIPO White Form** service will be allotted any Hong Kong Offer Shares.

To ensure that CCASS Investor Participants can give their **electronic application instructions**, they are advised not to wait until the last minute to input their instructions to the systems. In the event that CCASS Investor Participants have problems in the connection to CCASS Phone System/CCASS Internet System for submission of **electronic application instructions**, they

HOW TO APPLY FOR HONG KONG OFFER SHARES

should go to HKSCC's Customer Service Centre to complete an input request form for **electronic application instructions** before 12:00 noon on Friday, October 7, 2022, or such later time as described in the paragraph headed "10. Effect of Bad Weather and/or Extreme Conditions on the Opening of the Application Lists" in this section.

8. HOW MANY APPLICATIONS CAN YOU MAKE

Multiple applications for the Hong Kong Offer Shares are not allowed except by nominees. If you are a nominee and apply through the **HK eIPO White Form** service, in the box marked "For Nominees", you must include an account number or some other identification code for each beneficial owner or, in the case of joint beneficial owners, for each joint beneficial owner when you fill in the application details. If you do not include this information, the application will be treated as being made for your own benefit.

All of your applications will be rejected if more than one application through the **CCASS EIPO** service (directly or indirectly through your broker or custodian) or through the **HK eIPO White Form** service is made for your benefit (including the part of the application made by HKSCC Nominees acting on **electronic application instructions**), and the number of Hong Kong Offer Shares applied by HKSCC Nominees will be automatically reduced by the number of Hong Kong Offer Shares for which you have given such instructions and/or for which such instructions have been given for your behalf. If you are suspected of submitting more than one application for your benefit through the **CCASS EIPO** service and/or the **HK eIPO White Form** service, all of your applications are liable to be rejected.

If you apply by means of the **HK eIPO White Form** service, once you complete payment in respect of any electronic application instruction given by you or for your benefit through the **HK eIPO White Form** service to make an application for Hong Kong Offer Shares, an actual application shall be deemed to have been made. For the avoidance of doubt, giving an **electronic application instruction** under the **HK eIPO White Form** service more than once and obtaining different application reference numbers without effecting full payment in respect of a particular reference number will not constitute an actual application. However, any **electronic application instructions** to make an application for the Hong Kong Offer Shares given by you or for your benefit to HKSCC will be deemed to be an actual application for the purposes of considering whether multiple applications have been made.

The Hong Kong Share Registrar would record all applications into its system and identify suspected multiple applications with identical names, identification document numbers and reference numbers according to the Best Practice Note on Treatment of Multiple/Suspected Multiple Applications ("**Best Practice Note**") issued by the Federation of Share Registrars Limited.

HOW TO APPLY FOR HONG KONG OFFER SHARES

With regard to the announcement of results of allocations under the section headed “Results of Applications Made by Giving Electronic Application Instructions to HKSCC via CCASS”, the list of identification document number(s) may not be a complete list of successful applicants, only successful applicants whose identification document numbers are provided to HKSCC by CCASS Participants are disclosed. Applicants who applied for the Offer Shares through their brokers can consult their brokers to enquire about their application results.

Since applications are subject to personal information collection statements, beneficial owner identification codes displayed are redacted. Applicants with beneficial names only but not identification document numbers are not disclosed due to personal privacy issue.

If an application is made by an unlisted company and:

- the principal business of that company is dealing in securities; and
- you exercise statutory control over that company,

then the application will be treated as being for your benefit.

“**Unlisted company**” means a company with no equity securities listed on the Stock Exchange.

“**Statutory control**” means you:

- control the composition of the board of directors of our Company;
- control more than half of the voting power of our Company; or
- hold more than half of the issued share capital of our Company (not counting any part of it which carries no right to participate beyond a specified amount in a distribution of either profits or capital).

9. HOW MUCH ARE THE HONG KONG OFFER SHARES

The maximum Offer Price is HK\$2.88 per Offer Share. You must also pay brokerage of 1.0%, SFC transaction levy of 0.0027%, Stock Exchange trading fee of 0.005% and Financial Reporting Council transaction levy of 0.00015%. This means that for one board lot of 1,000 Hong Kong Offer Shares, you will pay HK\$2,909.02.

HOW TO APPLY FOR HONG KONG OFFER SHARES

You must pay the maximum Offer Price, brokerage, SFC transaction levy, the Stock Exchange trading fee and the Financial Reporting Council transaction levy in full upon application for Hong Kong Offer Shares.

You may submit an application through the **HK eIPO White Form** service or the **CCASS EIPO** service in respect of a minimum of 1,000 Hong Kong Offer Shares. Each application or **electronic application instruction** in respect of more than 1,000 Hong Kong Offer Shares must be in one of the numbers set out in the table in the paragraph “4. Minimum Application Amount and Permitted Numbers” in this section, or as otherwise specified in the **IPO App** or on the designated website at www.hkeipo.hk.

If your application is successful, brokerage will be paid to the Exchange Participants, and the SFC transaction levy, the Stock Exchange trading fee and the Financial Reporting Council transaction levy are paid to the Stock Exchange (in the case of the SFC transaction levy, collected by the Stock Exchange on behalf of the SFC and in the case of the Financial Reporting Council transaction levy, collected by the Stock Exchange on behalf of the Financial Reporting Council).

For further details on the Offer Price, see the paragraph headed “Structure of the Global Offering — Pricing and Allocation” in this prospectus.

10. EFFECT OF BAD WEATHER AND/OR EXTREME CONDITIONS ON THE OPENING OF THE APPLICATION LISTS

The application lists will not open if there is:

- a tropical cyclone warning signal number 8 or above;
- a “black” rainstorm warning; and/or
- Extreme Conditions,

in force in Hong Kong at any time between 9:00 a.m. and 12:00 noon on Friday, October 7, 2022. Instead they will open between 11:45 a.m. and 12:00 noon on the next Business Day which does not have either of those warnings and/or Extreme Conditions in Hong Kong in force at any time between 9:00 a.m. and 12:00 noon.

If the application lists do not open and close on Friday, October 7, 2022 or if there is/are a tropical cyclone warning signal number 8 or above, a “black” rainstorm warning signal and/or Extreme Conditions in force in Hong Kong that may affect the dates mentioned in the section headed “Expected Timetable” in this prospectus, an announcement will be made in such event.

HOW TO APPLY FOR HONG KONG OFFER SHARES

11. PUBLICATION OF RESULTS

Our Company expects to announce the final Offer Price, the level of indication of interest in the International Offering, the level of applications in the Hong Kong Public Offering and the basis of allocation of the Hong Kong Offer Shares on Monday, October 17, 2022 on our Company's website at www.floatingcloud.com and the website of the Stock Exchange at www.hkexnews.hk.

The results of allocations and the Hong Kong identity card/passport/Hong Kong business registration/certificate of incorporation numbers of successful applicants under the Hong Kong Public Offering will be available at the times and date and in the manner specified below:

- in the announcement to be posted on our Company's website at www.floatingcloud.com and the Stock Exchange's website at www.hkexnews.hk by no later than 8:00 a.m. on Monday, October 17, 2022;
- from the "IPO Results" function in the **IPO App** or designated results of allocations website at www.tricor.com.hk/ipo/result or www.hkeipo.hk/IPOResult with a "search by ID" function on a 24-hour basis from 8:00 a.m. on Monday, October 17, 2022 to 12:00 midnight on Sunday, October 23, 2022; and
- from the allocation results telephone enquiry line by calling +852 3691 8488 between 9:00 a.m. and 6:00 p.m. from Monday, October 17, 2022 to Thursday, October 20, 2022;

If our Company accepts your offer to purchase (in whole or in part), which it may do by announcing the basis of allocations and/or making available the results of allocations publicly, there will be a binding contract under which you will be required to purchase the Hong Kong Offer Shares if the conditions of the Global Offering are satisfied and the Global Offering is not otherwise terminated. Further details are contained in the section headed "Structure of the Global Offering" in this prospectus.

You will not be entitled to exercise any remedy of rescission for innocent misrepresentation at any time after acceptance of your application. This does not affect any other right you may have.

HOW TO APPLY FOR HONG KONG OFFER SHARES

12. CIRCUMSTANCES IN WHICH YOU WILL NOT BE ALLOTTED HONG KONG OFFER SHARES

You should note the following situations in which the Hong Kong Offer Shares will not be allotted to you:

- (i) If your application is revoked:

By applying through the **CCASS EIPO** service or the **HK eIPO White Form** service, you agree that your application or the application made by HKSCC Nominees on your behalf cannot be revoked on or before the fifth day after the time of the opening of the application lists (excluding for this purpose any day which is Saturday, Sunday or public holiday in Hong Kong). This agreement will take effect as a collateral contract with our Company.

Your application or the application made by HKSCC Nominees on your behalf may only be revoked on or before such fifth day if a person responsible for this prospectus under Section 40 of the Companies (Winding Up and Miscellaneous Provisions) Ordinance (as applied by Section 342E of the Companies (Winding Up and Miscellaneous Provisions) Ordinance) gives a public notice under that section on or before the fifth day after the time of the opening of the application lists (excluding any days which is a Saturday, Sunday or public holiday in Hong Kong) which excludes or limits that person's responsibility for this prospectus.

If any supplement to this prospectus is issued, applicants who have already submitted an application will be notified that they are required to confirm their applications. If applicants have been so notified but have not confirmed their applications in accordance with the procedure to be notified, all unconfirmed applications will be deemed revoked.

If your application or the application made by HKSCC Nominees on your behalf has been accepted, it cannot be revoked. For this purpose, acceptance of applications which are not rejected will be constituted by notification in the press of the results of allocation, and where such basis of allocation is subject to certain conditions or provides for allocation by ballot, such acceptance will be subject to the satisfaction of such conditions or results of the ballot respectively.

- (ii) If our Company or its agents exercise their discretion to reject your application:

Our Company, the Joint Global Coordinators, the **HK eIPO White Form** Service Provider and their respective agents and nominees have full discretion to reject or accept any application, or to accept only part of any application, without giving any reasons.

HOW TO APPLY FOR HONG KONG OFFER SHARES

(iii) If:

- you make multiple applications or suspected multiple applications;
- you or the person for whose benefit you are applying have applied for or taken up, or indicated an interest for, or have been or will be placed or allocated (including conditionally and/or provisionally) Hong Kong Offer Shares and International Offer Shares;
- your **electronic application instructions** through the **HK eIPO White Form** service are not completed in accordance with the instructions, terms and conditions in the **IPO App** or on the designated website;
- your payment is not made correctly;
- the Underwriting Agreements do not become unconditional or are terminated;
- our Company or the Relevant Global Coordinators believe that by accepting your application, it or they would violate applicable securities or other laws, rules or regulations; or
- your application is for more than 50% of the Hong Kong Offer Shares initially offered under the Hong Kong Public Offering.

13. REFUND OF APPLICATION MONIES

If an application is rejected, not accepted or accepted in part only, or if the Offer Price as finally determined is less than the maximum Offer Price of HK\$2.88 per Offer Share (excluding brokerage, SFC transaction levy, the Stock Exchange trading fee and the Financial Reporting Council transaction levy thereon), or if the conditions of the Hong Kong Public Offering are not fulfilled in accordance with the paragraph headed “Structure of the Global Offering — Conditions of the Global Offering” in this prospectus or if any application is revoked, the application monies, or the appropriate portion thereof, together with the related brokerage, SFC transaction levy, the Stock Exchange trading fee and the Financial Reporting Council transaction levy, will be refunded, without interest.

Any refund of your application monies will be made on or before Monday, October 17, 2022.

HOW TO APPLY FOR HONG KONG OFFER SHARES

14. DISPATCH/COLLECTION OF SHARE CERTIFICATES AND REFUND MONIES

You will receive one Share certificate for all Hong Kong Offer Shares allotted to you under the Hong Kong Public Offering (except pursuant to applications made through the **CCASS EIPO** service where the Share certificates will be deposited into CCASS as described below).

No temporary document of title will be issued in respect of the Shares. No receipt will be issued for sums paid on application.

Subject to arrangement on dispatch/collection of Share certificates and refund monies as mentioned below, any refund checks and Share certificates are expected to be posted on or around Monday, October 17, 2022. The right is reserved to retain any Share certificate(s) and any surplus application monies pending clearance of check(s) or banker's cashier's order(s).

Share certificates will only become valid evidence of title at 8:00 a.m. on Tuesday, October 18, 2022 provided that the Global Offering has become unconditional and the right of termination described in the section headed "Underwriting" in this prospectus has not been exercised. Investors who trade Shares prior to the receipt of Share certificates or the Share certificates becoming valid evidence of title do so at their own risk.

Personal Collection

(i) If you apply through the HK eIPO White Form service

If you apply for 1,000,000 or more Hong Kong Offer Shares and your application is wholly or partially successful, you may collect your Share certificate(s) from the Hong Kong Share Registrar, Tricor Investor Services Limited at 17/F, Far East Finance Centre, 16 Harcourt Road, Hong Kong, from 9:00 a.m. to 1:00 p.m. on Monday, October 17, 2022, or such other date as notified by our Company in the newspapers as the date of dispatch/collection of Share certificates/e-Auto Refund payment instructions/refund checks.

If you are an individual who is eligible for personal collection, you must not authorise any other person to collect for you. If you are a corporate applicant which is eligible for personal collection, your authorised representative must bear a letter of authorization from your corporation stamped with your corporation's chop. Both individuals and authorised representatives must produce, at the time of collection, evidence of identity acceptable to the Hong Kong Share Registrar.

HOW TO APPLY FOR HONG KONG OFFER SHARES

If you do not collect your Share certificate(s) personally within the time specified for collection, they will be sent to the address specified in your application instructions by ordinary post at your own risk.

If you apply for less than 1,000,000 Hong Kong Offer Shares, your Share certificate(s) (where applicable) will be sent to the address specified in your application instructions on or before Monday, October 17, 2022 by ordinary post at your own risk.

If you apply and pay the application monies from a single bank account, any refund monies will be dispatched to that bank account in the form of e-Auto Refund payment instructions. If you apply and pay the application monies from multiple bank accounts, any refund monies will be dispatched to the address as specified in your application instructions in the form of refund check(s) in favour of the applicant (or, in the case of joint applications, the first-named applicant) by ordinary post at your own risk.

(ii) If you apply through the CCASS EIPO service

Allocation of Hong Kong Offer Shares

For the purposes of allocating Hong Kong Offer Shares, HKSCC Nominees will not be treated as an applicant. Instead, each CCASS Participant who gives **electronic application instructions** or each person for whose benefit instructions are given will be treated as an applicant.

Deposit of Share Certificates into CCASS and Refund of Application Monies

- If your application is wholly or partially successful, your Share certificate(s) will be issued in the name of HKSCC Nominees and deposited into CCASS for the credit of your designated CCASS Participant's stock account or your CCASS Investor Participant stock account on Monday, October 17, 2022, or, on any other date determined by HKSCC or HKSCC Nominees.
- Our Company expects to publish the application results of CCASS Participants (and where the CCASS Participant is a broker or custodian, our Company will include information relating to the relevant beneficial owner), your Hong Kong identity card number/passport number or other identification code (Hong Kong business registration number for corporations) and the basis of allotment of the Hong Kong Public Offering in the manner specified in the paragraph headed "11. Publication of Results" above on Monday, October 17, 2022. You should check the announcement published by our Company and report any discrepancies to HKSCC before 5:00 p.m. on Monday, October 17, 2022 or such other date as determined by HKSCC or HKSCC Nominees.

HOW TO APPLY FOR HONG KONG OFFER SHARES

- If you have instructed your broker or custodian to give **electronic application instructions** on your behalf, you can also check the number of Hong Kong Offer Shares allotted to you and the amount of refund monies (if any) payable to you with that broker or custodian.
- If you have applied as a CCASS Investor Participant, you can also check the number of Hong Kong Offer Shares allotted to you and the amount of refund monies (if any) payable to you via the CCASS Phone System and the CCASS Internet System (under the procedures contained in HKSCC's "An Operating Guide for Investor Participants" in effect from time to time) on Monday, October 17, 2022. Immediately following the credit of the Hong Kong Offer Shares to your stock account and the credit of refund monies to your bank account, HKSCC will also make available to you an activity statement showing the number of Hong Kong Offer Shares credited to your CCASS Investor Participant stock account and the amount of refund monies (if any) credited to your designated bank account.
- Refund of your application monies (if any) in respect of wholly and partially unsuccessful applications and/or difference between the Offer Price and the maximum Offer Price per Offer Share initially paid on application (including brokerage, SFC transaction levy, the Stock Exchange trading fee and the Financial Reporting Council transaction levy but without interest) will be credited to your designated bank account or the designated bank account of your broker or custodian on Monday, October 17, 2022.

15. ADMISSION OF THE SHARES INTO CCASS

If the Stock Exchange grants the listing of, and permission to deal in, the Shares and we comply with the stock admission requirements of HKSCC, the Shares will be accepted as eligible securities by HKSCC for deposit, clearance and settlement in CCASS with effect from the date of commencement of dealings in the Shares or any other date HKSCC chooses. Settlement of transactions between Exchange Participants (as defined in the Listing Rules) is required to take place in CCASS on the second settlement day after any trading day.

All activities under CCASS are subject to the General Rules of CCASS and CCASS Operational Procedures in effect from time to time.

Investors should seek the advice of their stockbroker or other professional advisor for details of the settlement arrangement as such arrangements may affect their rights and interests.

All necessary arrangements have been made enabling the Shares to be admitted into CCASS.

The following is the text of a report set out on pages I-1 to I-95, received from the Company's reporting accountants, Deloitte Touche Tohmatsu, Certified Public Accountants, Hong Kong, for the purpose of incorporation in this prospectus.



ACCOUNTANTS' REPORT ON HISTORICAL FINANCIAL INFORMATION TO THE DIRECTORS OF FLOWING CLOUD TECHNOLOGY LTD AND SHENWAN HONGYUAN CAPITAL (H.K.) LIMITED

Introduction

We report on the historical financial information of Flowing Cloud Technology Ltd (the **"Company"**) and its subsidiaries (hereinafter collectively referred to as the **"Group"**) set out on pages I-4 to I-95, which comprises the consolidated statements of financial position of the Group as at December 31, 2019, 2020 and 2021 and March 31, 2022, the statements of financial position of the Company as at December 31, 2021 and March 31, 2022, and the consolidated statements of profit or loss and other comprehensive income, the consolidated statements of changes in equity and the consolidated statements of cash flows of the Group for each of the three years ended December 31, 2021 and the three months ended March 31, 2022 (the **"Track Record Period"**) and a summary of significant accounting policies and other explanatory information (together, the **"Historical Financial Information"**). The Historical Financial Information set out on pages I-4 to I-95 forms an integral part of this report, which has been prepared for inclusion in the prospectus of the Company dated September 29, 2022 (the **"Prospectus"**) in connection with the initial listing of shares of the Company on the Main Board of The Stock Exchange of Hong Kong Limited (the **"Stock Exchange"**).

Directors' responsibility for the Historical Financial Information

The directors of the Company (the **"Directors"**) are responsible for the preparation of the Historical Financial Information that gives a true and fair view in accordance with the basis of preparation and presentation set out in Note 2 to the Historical Financial Information, and for such internal control as the Directors determine is necessary to enable the preparation of the Historical Financial Information that is free from material misstatement, whether due to fraud or error.

Reporting accountants' responsibility

Our responsibility is to express an opinion on the Historical Financial Information and to report our opinion to you. We conducted our work in accordance with Hong Kong Standard on Investment Circular Reporting Engagements 200 "Accountants' Reports on Historical Financial Information in Investment Circulars" issued by the Hong Kong Institute of Certified Public Accountants (the "**HKICPA**"). This standard requires that we comply with ethical standards and plan and perform our work to obtain reasonable assurance about whether the Historical Financial Information is free from material misstatement.

Our work involved performing procedures to obtain evidence about the amounts and disclosures in the Historical Financial Information. The procedures selected depend on the reporting accountants' judgement, including the assessment of risks of material misstatement of the Historical Financial Information, whether due to fraud or error. In making those risk assessments, the reporting accountants consider internal control relevant to the entity's preparation of the Historical Financial Information that gives a true and fair view in accordance with the basis of preparation and presentation set out in Note 2 to the Historical Financial Information in order to design procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Our work also included evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the Directors, as well as evaluating the overall presentation of the Historical Financial Information.

We believe that the evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Opinion

In our opinion, the Historical Financial Information gives, for the purposes of the accountants' report, a true and fair view of the Group's financial position as at December 31, 2019, 2020 and 2021 and March 31, 2022, of the Company's financial position as at December 31, 2021 and March 31, 2022, and of the Group's financial performance and cash flows for the Track Record Period in accordance with the basis of preparation and presentation set out in Note 2 to the Historical Financial Information.

Review of stub period comparative financial information

We have reviewed the stub period comparative financial information of the Group which comprises the consolidated statement of profit or loss and other comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the

three months ended March 31, 2021 and other explanatory information (the “**Stub Period Comparative Financial Information**”). The Directors are responsible for the preparation and presentation of the Stub Period Comparative Financial Information in accordance with the basis of preparation and presentation set out in Note 2 to the Historical Financial Information. Our responsibility is to express a conclusion on the Stub Period Comparative Financial Information based on our review. We conducted our review in accordance with Hong Kong Standard on Review Engagements 2410 “Review of Interim Financial Information Performed by the Independent Auditor of the Entity” issued by the HKICPA. A review consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with Hong Kong Standards on Auditing and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion. Based on our review, nothing has come to our attention that causes us to believe that the Stub Period Comparative Financial Information, for the purposes of the accountants’ report, is not prepared, in all material respects, in accordance with the basis of preparation and presentation set out in Note 2 to the Historical Financial Information.

Report on matters under the Rules Governing the Listing of Securities on the Stock Exchange and the Companies (Winding Up And Miscellaneous Provisions) Ordinance

Adjustments

In preparing the Historical Financial Information, no adjustments to the Underlying Financial Statements as defined on page I-4 have been made.

Dividends

We refer to Note 14 to the Historical Financial Information which states that no dividend was declared or paid by the Company since its incorporation.

Deloitte Touche Tohmatsu

Certified Public Accountants

Hong Kong

September 29, 2022

HISTORICAL FINANCIAL INFORMATION OF THE GROUP**Preparation of the Historical Financial Information**

Set out below is the Historical Financial Information which forms an integral part of this accountants' report.

The consolidated financial statements of the Group for the Track Record Period, on which the Historical Financial Information is based, have been prepared in accordance with the accounting policies which conform with International Financial Reporting Standards (“**IFRSs**”) issued by the International Accounting Standards Board (the “**IASB**”) and were audited by Deloitte Touche Tohmatsu Certified Public Accountants LLP in accordance with Hong Kong Standards on Auditing issued by the HKICPA (“**Underlying Financial Statements**”).

The Historical Financial Information is presented in Renminbi (“**RMB**”) and all values are rounded to the nearest thousand (RMB'000) except when otherwise indicated.

CONSOLIDATED STATEMENTS OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

	NOTES	Year ended December 31,			Three months ended March 31,	
		2019	2020	2021	2021	2022
		RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
					(Unaudited)	
Revenue	6	250,942	338,598	595,290	138,749	228,869
Cost of revenue		(175,617)	(233,894)	(419,774)	(101,463)	(155,586)
Gross profit.		75,325	104,704	175,516	37,286	73,283
Other income.		329	1,723	3,130	192	595
Fair value changes on financial liabilities designated as at fair value through profit or loss ("FVTPL")		—	(1,357)	(21,075)	(8,700)	—
Other gains and losses	7	(128)	273	447	(819)	(20)
Impairment losses under expected credit loss ("ECL") model, net of reversal	8	(3,396)	(2,115)	864	(2,716)	(5,625)
Distribution and selling expenses		(5,457)	(7,257)	(13,682)	(3,756)	(3,132)
Administrative expenses		(5,846)	(8,634)	(21,711)	(2,364)	(5,578)
Research and development expenses.		(11,425)	(15,046)	(21,703)	(6,649)	(8,152)
Listing expenses		—	—	(12,287)	—	(1,992)
Finance costs.	9	(1,056)	(1,920)	(2,357)	(503)	(552)
Profit before tax	10	48,346	70,371	87,142	11,971	48,827
Income tax expense	12	(6,467)	(10,119)	(15,423)	(2,785)	(10,622)
Profit and total comprehensive income for the year/period		41,879	60,252	71,719	9,186	38,205
Profit and total comprehensive income for the year/period attributable to:						
Owners of the Company		41,879	58,883	70,202	8,640	38,278
Non-controlling interests.		—	1,369	1,517	546	(73)
		41,879	60,252	71,719	9,186	38,205
Basic earnings per share						
(RMB cents)	13	3.5	4.9	5.2	0.7	2.5
Diluted earnings per share						
(RMB cents)	13	N/A	4.9	5.2	0.7	N/A

CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

		As at December 31,			As at March 31,
	NOTES	2019	2020	2021	2022
		RMB'000	RMB'000	RMB'000	RMB'000
NON-CURRENT ASSETS					
Property, plant and equipment . .	15	223	409	2,140	2,855
Right-of-use assets	16	496	959	6,492	5,633
Intangible assets	17	11,767	25,840	29,274	53,949
Contract costs	22	—	—	1,005	803
Deferred tax assets	18	821	1,081	1,325	3,163
		13,307	28,289	40,236	66,403
CURRENT ASSETS					
Inventories	19	10,396	4,301	—	—
Loan receivables	20	17,264	—	—	—
Trade and other receivables and deposits	21	96,932	140,188	166,129	203,584
Contract costs	22	22,170	20,802	9,496	11,364
Prepayments	23	45,205	93,003	153,375	191,325
Bank balances and cash	24	11,705	104,017	214,279	198,315
		203,672	362,311	543,279	604,588
CURRENT LIABILITIES					
Trade and other payables	25	52,606	63,899	75,340	92,564
Financial liabilities at FVTPL . .	26	—	48,357	—	—
Lease liabilities	27	504	689	3,019	3,696
Bank borrowings	28	17,000	38,667	22,300	39,500
Contract liabilities	29	19,019	44,436	21,091	24,298
Income tax payable		8,685	14,968	12,451	24,189
		97,814	211,016	134,201	184,247
NET CURRENT ASSETS.		105,858	151,295	409,078	420,341
TOTAL ASSETS LESS					
CURRENT LIABILITIES . . .		119,165	179,584	449,314	486,744
NON-CURRENT LIABILITIES					
Lease liabilities	27	—	167	2,744	1,969
		—	167	2,744	1,969
NET ASSETS		119,165	179,417	446,570	484,775
CAPITAL AND RESERVES					
Paid-in capital/share capital . . .	30	9,061	9,061	7	7
Reserves	31	110,104	168,987	443,677	481,955
EQUITY ATTRIBUTABLE TO OWNERS OF THE COMPANY					
Non-controlling interests		—	1,369	2,886	2,813
TOTAL EQUITY		119,165	179,417	446,570	484,775

STATEMENTS OF FINANCIAL POSITION OF THE COMPANY

		As at December 31,	As at March 31,
	NOTES	2021	2022
		RMB'000	RMB'000
NON-CURRENT ASSET			
Investments in subsidiaries	(i)	25,516	25,516
		<u>25,516</u>	<u>25,516</u>
CURRENT ASSETS			
Share issue costs	21	3,645	4,846
Amounts due from shareholders	21	7	7
Prepayments	23	431	1,689
Bank balances and cash	24	2,475	2,385
		<u>6,558</u>	<u>8,927</u>
CURRENT LIABILITIES			
Amounts due to subsidiaries	(ii)	16,364	20,815
		<u>16,364</u>	<u>20,815</u>
NET CURRENT LIABILITIES		<u>(9,806)</u>	<u>(11,888)</u>
TOTAL ASSETS LESS CURRENT LIABILITIES.		<u>15,710</u>	<u>13,628</u>
NET ASSETS		<u>15,710</u>	<u>13,628</u>
CAPITAL AND RESERVES			
Share capital	30	7	7
Reserves	31	15,703	13,621
TOTAL EQUITY AND EQUITY			
ATTRIBUTABLE TO OWNERS OF THE			
COMPANY		<u>15,710</u>	<u>13,628</u>

(i) The investments in subsidiaries of the Company mainly represented deemed investment arising from issue of preferred shares at the nominal value to certain Round C investors (as defined in Note 26) to mirror their ultimate beneficial interests in the Group through shares with preferred rights held by them in Beijing Ophyer Technology Shares Co., Ltd (“**Ophyer Technology**”).

(ii) The amounts due to subsidiaries as at December 31, 2021 and March 31, 2022 mainly represented share issue costs and listing expenses paid on behalf of the Company by its subsidiary.

CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY

	Attributable to owners of the Company							
	Paid-in capital/share capital	Capital reserve	Other reserve	Statutory reserve funds	Retained earnings	Non-controlling		
						Total	interests	Total equity
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
At January 1, 2019	9,061	4,206	—	4,530	59,489	77,286	—	77,286
Profit and total comprehensive income for the year.	—	—	—	—	41,879	41,879	—	41,879
At December 31, 2019	9,061	4,206	—	4,530	101,368	119,165	—	119,165
Profit and total comprehensive income for the year.	—	—	—	—	58,883	58,883	1,369	60,252
Appropriation of statutory reserve funds.	—	—	—	409	(409)	—	—	—
At December 31, 2020	9,061	4,206	—	4,939	159,842	178,048	1,369	179,417
Profit and total comprehensive income for the year.	—	—	—	—	70,202	70,202	1,517	71,719
Issue of shares (Note 30)	7	—	—	—	—	7	—	7
Modification to financial instruments (Note 26)	(260)	(111)	(15,348)	—	—	(15,719)	—	(15,719)
Termination of preferred rights of the shares related to the Group and conversion of preferred shares (Note 26)	2,772	170,079	38,295	—	—	211,146	—	211,146
Appropriation of statutory reserve funds.	—	—	—	846	(846)	—	—	—
Adjustment arising from the Group Reorganization (Note)	(11,573)	—	11,573	—	—	—	—	—
At December 31, 2021	7	174,174	34,520	5,785	229,198	443,684	2,886	446,570
Profit/(loss) and total comprehensive Income/(expense) for the period.	—	—	—	—	38,278	38,278	(73)	38,205
At March 31, 2022	7	174,174	34,520	5,785	267,476	481,962	2,813	484,775
At January 1, 2021	9,061	4,206	—	4,939	159,842	178,048	1,369	179,417
Profit and total comprehensive income for the period (Unaudited)	—	—	—	—	8,640	8,640	546	9,186
At March 31, 2021 (Unaudited)	9,061	4,206	—	4,939	168,482	186,688	1,915	188,603

Note:

On December 16, 2021, the Group completed the group reorganization of which details are set out in the section headed “History, Development and Corporate Structure — Reorganization” of the Prospectus (the “**Reorganization**”). As a result, the Company became the holding company of the Group since then.

CONSOLIDATED STATEMENTS OF CASH FLOWS

	Year ended December 31,			Three months ended March 31,	
	2019	2020	2021	2021	2022
	RMB'000	RMB'000	RMB'000	RMB'000 (Unaudited)	RMB'000
OPERATING ACTIVITIES					
Profit before tax	48,346	70,371	87,142	11,971	48,827
Adjustments for:					
Interest income.	(124)	(1,382)	(828)	(22)	(71)
Exchange differences	—	—	5	—	20
Gains on disposal of intangible assets	—	(902)	—	—	—
Depreciation of property, plant and equipment	125	152	570	48	260
Depreciation of right-of-use assets	992	722	2,746	169	859
Amortization of intangible assets	4,484	5,726	10,836	2,511	3,687
Impairment losses under ECL model, net of reversal	3,396	2,115	(864)	2,716	5,625
Finance costs	1,056	1,920	2,357	503	552
Fair value changes on financial liabilities designated as at FVTPL.	—	1,357	21,075	8,700	—
Operating cash flows before movements in working capital	58,275	80,079	123,039	26,596	59,759
Decrease/(increase) in trade and other receivables and deposits.	6,756	(45,618)	(21,425)	4,988	(41,879)
Increase in prepayments.	(40,657)	(47,798)	(60,372)	(10,224)	(37,573)
Decrease in inventories	13,142	6,095	4,301	4,301	—
(Increase)/decrease in contract costs	(22,170)	1,368	10,301	7,784	(1,666)
(Decrease)/increase in trade and other payables	(3,884)	9,501	10,170	4,160	6,269
Increase/(decrease) in contract liabilities	19,019	25,417	(23,345)	(42,127)	3,207
Cash generated from/(used in) operations.	30,481	29,044	42,669	(4,522)	(11,883)
Income tax paid	(4,854)	(4,096)	(18,184)	(6,563)	(722)
Net cash from/(used in) operating activities.	25,627	24,948	24,485	(11,085)	(12,605)
INVESTING ACTIVITIES					
Purchase of property, plant and equipment	(35)	(382)	(2,600)	(212)	(1,102)
Purchase of intangible assets	(5,490)	(19,043)	(15,126)	—	(15,064)
Proceeds from disposal of intangible assets	—	1,982	—	—	—
Increase in loan receivables	(17,511)	—	—	—	—
Repayment of loan receivables	—	17,511	—	—	—
Interest received	124	1,382	828	22	71
Placement of time deposits with maturity over three months	—	—	(150,000)	(50,000)	—
Withdrawal of time deposits with maturity over three months	—	—	150,000	—	—
Net cash (used in)/from investing activities.	(22,912)	1,450	(16,898)	(50,190)	(16,095)

APPENDIX I

ACCOUNTANTS' REPORT

	Year ended December 31,			Three months ended March 31,	
	2019	2020	2021	2021	2022
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
				(Unaudited)	
FINANCING ACTIVITIES					
New bank borrowings raised	19,000	44,400	24,700	—	21,700
Repayment of bank borrowings	(11,000)	(22,733)	(41,067)	(867)	(4,500)
Repayment of lease liabilities	(959)	(833)	(3,372)	(159)	(98)
Interests paid	(1,056)	(1,920)	(1,842)	(503)	(552)
Proceeds from issue of shares with preferred rights and preferred shares	—	47,000	125,480	23,000	—
Payment of shares issue costs	—	—	(1,219)	—	(3,794)
Advance from a related party	—	9,300	—	—	—
Repayment to a related party	—	(9,300)	—	—	—
Net cash from financing activities	5,985	65,914	102,680	21,471	12,756
Net increase/(decrease) in cash and cash equivalents	8,700	92,312	110,267	(39,804)	(15,944)
Cash and cash equivalents at the beginning of the year/period . .	3,005	11,705	104,017	104,017	214,279
Effect of foreign exchange rate changes	—	—	(5)	—	(20)
Cash and cash equivalents at the end of the year/period, represented by bank balances and cash	11,705	104,017	214,279	64,213	198,315

NOTES TO THE HISTORICAL FINANCIAL INFORMATION

1. GENERAL INFORMATION

The Company was incorporated and registered in the Cayman Islands on June 24, 2021 as an exempted company with limited liability under the Companies Law of the Cayman Islands. The respective addresses of the registered office and the principal place of business of the Company are stated in the section headed “Corporate Information” of the Prospectus.

The Company is an investment holding company and has not carried out any business operations since the date of incorporation. The Company and its subsidiaries are primarily engaged in the provision of augmented reality and virtual reality (“AR/VR”) marketing services, AR/VR contents and relevant services.

The immediate holding company of the Company is Brainstorming Cafe Limited, which was incorporated in the British Virgin Islands (the “BVI”).

The Historical Financial Information is presented in RMB, which is also the functional currency of the Company.

2. GROUP REORGANIZATION AND BASIS OF PREPARATION AND PRESENTATION OF THE HISTORICAL FINANCIAL INFORMATION

Prior to the incorporation of the Company and the completion of the Group reorganizations, the main operating activities of the Group were carried out by Ophyer Technology and its subsidiaries, which were established in the People’s Republic of China (the “PRC”) (collectively, the “**Consolidated Affiliated Entities**”). During the Track Record Period, Ophyer Technology was owned by Mr. Wang Lei and Mr. Li Yanhao (collectively, the “**Controlling Shareholders**”) and other shareholders (collectively referred to as “**Ophyer Shareholders**”).

In preparation for the listing of the Company’s shares on the Main Board of the Stock Exchange of Hong Kong Limited (the “**Listing**”), the Group underwent the Reorganization involving the following steps: (i) incorporating the Company and certain investment holding companies including a wholly-owned subsidiary established in the PRC namely Beijing Flowing Cloud Technology Co., Ltd. (“**WFOE**”), (ii) incorporating investment holding companies by each of the Ophyer Shareholders and each of them subscribing the shares of the Company with the equivalent shareholding percentage of Ophyer Technology and (iii) entering into the Contractual Arrangements as detailed below.

As the shares are proportionately issued to the shareholders of the Company, the Group resulting from the Reorganization, which involves interspersing certain investment holding companies including the Company between Ophyer Technology and the Ophyer Shareholders and execution of the Contractual Arrangements (see definition in the paragraph below), is regarded as a continuing entity throughout the Track Record Period, regardless of the actual date when they legally form part of a group. Accordingly, the consolidated statements of profit or loss and other comprehensive income, consolidated statements of changes in equity and consolidated statements of cash flows for the Track Record Period have been prepared to include the results, changes in equity and cash flows of the companies now comprising the Group as if the group structure upon the completion of the Reorganization had been in existence throughout the Track Record Period, or since their respective dates of incorporation/establishment, where there is a shorter period. The consolidated statements of financial position of the Group as at December 31, 2019 and 2020 have been prepared to present the assets and liabilities of the companies now comprising the Group at the carrying amounts shown in the financial statements of the group entities, as if the current group structure upon completion of the Reorganization had been in existence at those dates taking into account the respective dates of incorporation/establishment, where applicable.

The Group conducts its business through the Consolidated Affiliated Entities in the PRC due to regulatory restrictions on foreign ownership in the Internet cultural business industry in the PRC. WFOE entered into contractual arrangements with Ophyer Technology and the Ophyer Shareholders on December 16, 2021, and WFOE entered into contractual arrangements with the Consolidated Affiliated Entities on May 6, 2022 (the “**Contractual Arrangements**”). Pursuant to the Contractual Arrangements, WFOE is able to:

- exercise effective financial and operational control over the Consolidated Affiliated Entities;
- exercise equity holders’ voting rights of the Consolidated Affiliated Entities;
- receive substantially all of the economic returns generated by the Consolidated Affiliated Entities in consideration for the business support, technical and consulting services provided by WFOE;
- obtain an irrevocable and exclusive right to purchase all or part of equity interests in the Consolidated Affiliated Entities from the respective equity holders at a minimum purchase price permitted under PRC laws and regulations. WFOE may exercise such options at any time until they have acquired all equity interests and/or all assets of the Consolidated Affiliated Entities. In addition, the Consolidated Affiliated Entities are not allowed to sell, transfer, pledge or dispose of any assets, or make any distributions to their equity holders without prior consent of WFOE; and

- obtain a pledge over the entire equity interest of the Consolidated Affiliated Entities from their equity holders as collateral security for payments of the Consolidated Affiliated Entities due to WFOE and to secure performance of the Consolidated Affiliated Entities' obligations under the Contractual Arrangements.

The Group does not have any equity interest in the Consolidated Affiliated Entities. However, as a result of the Contractual Arrangements, the Group has power over the Consolidated Affiliated Entities, has rights to variable returns from its involvement with the Consolidated Affiliated Entities, has the ability to affect those returns through its power over the Consolidated Affiliated Entities and is considered to have control over the Consolidated Affiliated Entities. Consequently, the Company regards the Consolidated Affiliated Entities as indirect subsidiaries. The assets, liabilities, revenue, income and expenses of the Consolidated Affiliated Entities have been included in the Group's Historical Financial Information.

Total assets of Ophyer Technology and its subsidiaries, which were involved in the Contractual Arrangements, were RMB208 million, RMB381 million, RMB579 million and RMB606 million as of December 31, 2019, 2020 and 2021 and March 31, 2022, respectively, and these balances have been reflected in the Group's consolidated financial statements with intercompany balances among the Consolidated Affiliated Entities eliminated.

Total revenue of Ophyer Technology and its subsidiaries, which were involved in the Contractual Arrangements, was RMB251 million, RMB329 million, RMB584 million and RMB183 million for the years ended December 31, 2019, 2020 and 2021, and the three months ended March 31, 2022, respectively, and these amounts have been reflected in the Group's consolidated financial statements with intercompany transactions among the Consolidated Affiliated Entities eliminated.

3. APPLICATION OF NEW AND REVISED IFRSS

For the purpose of preparing and presenting the Historical Financial Information for the Track Record Period, the Group has consistently applied the accounting policies which conform with the International Accounting Standards ("IASs"), IFRSs, amendments to IFRSs and the related interpretations issued by the IASB, which are effective for the accounting period beginning on January 1, 2022 consistently throughout the Track Record Period.

New and amendments to IFRSs in issue but not yet effective

The Group has not early applied the following new and amendments to IFRSs that have been issued but are not yet effective:

IFRS 17	Insurance Contracts and the related Amendments ¹
Amendments to IFRS 10 and IAS 28	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture ²
Amendments to IAS 1	Classification of Liabilities as Current or Non-current ¹
Amendments to IAS 1 and IFRS Practice Statement 2	Disclosure of Accounting Policies ¹
Amendments to IAS 8	Definition of Accounting Estimates ¹
Amendments to IAS 12	Deferred Tax related to Assets and Liabilities arising from a Single Transaction ¹

¹ Effective for annual periods beginning on or after January 1, 2023.

² Effective for annual periods beginning on or after a date to be determined.

The Group expects that the application of all new and amendments to IFRSs that have been issued but are not yet effective will have no material impact on the consolidated financial statements in the foreseeable future.

4. SIGNIFICANT ACCOUNTING POLICIES

The Historical Financial Information has been prepared in accordance with accounting policies which conform with IFRSs issued by the IASB. For the purpose of preparation of the consolidated financial statements, information is considered material if such information is reasonably expected to influence decisions made by primary users. In addition, the Historical Financial Information includes applicable disclosures required by the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited and by the Hong Kong Companies Ordinance.

The Historical Financial Information has been prepared on the historical cost basis except for certain financial instruments that are measured at fair values at the end of each reporting period, as explained in the accounting policies set out below.

Historical cost is generally based on the fair value of the consideration given in exchange for goods and services.

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date, regardless of whether that price is directly observable or estimated using another valuation technique. In estimating the fair value of an asset or a liability, the Group takes into account the characteristics of the asset or liability if market participants would take those characteristics into account when pricing the asset or liability at the measurement date. Fair value for measurement and/or disclosure purposes in the Historical Financial Information is determined on such a basis, except for share-based payment transactions that are within the scope of IFRS 2 *Share-based Payment*, leasing transactions that are within the scope of IFRS 16 *Leases*, and measurements that have some similarities to fair value but are not fair value, such as net realizable value in IAS 2 *Inventories* or value in use in IAS 36 *Impairment of Assets*.

For financial instruments which are transacted at fair value and a valuation technique that unobservable inputs is to be used to measure fair value in subsequent periods, the valuation technique is calibrated so that at initial recognition the results of the valuation technique equals the transaction price.

In addition, for financial reporting purposes, fair value measurements are categorized into Level 1, 2 or 3 based on the degree to which the inputs to the fair value measurements are observable and the significance of the inputs to the fair value measurement in its entirety, which are described as follows:

- Level 1 inputs are quoted prices (unadjusted) in active markets for identical assets or liabilities that the Group can access at the measurement date;
- Level 2 inputs are inputs, other than quoted prices included within Level 1, that are observable for the asset or liability, either directly or indirectly; and
- Level 3 inputs are unobservable inputs for the asset or liability.

The principal accounting policies adopted are set out below.

Basis of consolidation

The Historical Financial Information incorporates the financial statements of the Company and entities (including structured entities) controlled by the Company and its subsidiaries. Control is achieved when the Company:

- has power over the investee;

- is exposed, or has rights, to variable returns from its involvement with the investee; and
- has the ability to use its power to affect its returns.

The Group reassesses whether or not it controls an investee if facts and circumstances indicate that there are changes to one or more of the three elements of control listed above.

Consolidation of a subsidiary begins when the Group obtains control over the subsidiary and ceases when the Group loses control of the subsidiary. Specifically, income and expenses of a subsidiary acquired or disposed of during the year/period are included in the consolidated statements of profit or loss and other comprehensive income from the date the Group gains control until the date when the Group ceases to control the subsidiary.

Profit or loss and each item of other comprehensive income are attributed to the owners of the Company and to the non-controlling interests. Total comprehensive income of subsidiaries is attributed to the owners of the Company and to the non-controlling interests even if this results in the non-controlling interests having a deficit balance.

When necessary, adjustments are made to the financial statements of subsidiaries to bring their accounting policies in line with the Group's accounting policies.

All intra-group assets and liabilities, equity, income, expenses and cash flows relating to transactions between members of the Group are eliminated in full on consolidation.

Non-controlling interests in subsidiaries are presented separately from the Group's equity therein, which represent present ownership interests entitling their holders to a proportionate share of net assets of the relevant subsidiaries upon liquidation.

Investment in a subsidiary

Investment in a subsidiary is stated in the statement of financial position of the Company at cost less any identified impairment loss, if any.

Revenue from contracts with customers

The Group recognizes revenue when (or as) a performance obligation is satisfied, i.e. when "control" of the goods or services underlying the particular performance obligation is transferred to the customer.

A performance obligation represents a good or service (or a bundle of goods or services) that is distinct or a series of distinct goods or services that are substantially the same.

Control is transferred over time and revenue is recognized over time by reference to the progress towards complete satisfaction of the relevant performance obligation if one of the following criteria is met:

- the customer simultaneously receives and consumes the benefits provided by the Group's performance as the Group performs;
- the Group's performance creates or enhances an asset that the customer controls as the Group performs; or
- the Group's performance does not create an asset with an alternative use to the Group and the Group has an enforceable right to payment for performance completed to date.

Otherwise, revenue is recognized at a point in time when the customer obtains control of the distinct goods or services.

A contract liability represents 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.

There are no variable consideration and significant financing component for the Group's revenue from contracts with customers.

Over time revenue recognition: measurement of progress towards complete satisfaction of a performance obligation

The progress towards complete satisfaction of a performance obligation is measured based on output method, which is to recognize revenue on the basis of direct measurements of the value of the goods or services transferred to the customer to date relative to the remaining goods or services promised under the contract, that best depict the Group's performance in transferring control of goods or services.

AR/VR marketing service business

The Group develops AR/VR interactive content to provide service solutions to customers including the design and placement of advertisements based on such AR/VR content. The Group provides customers with one-stop AR/VR marketing services, including formulating AR/VR

service plans, designing AR/VR interactive content, distributing AR/VR interactive content, and collecting, monitoring and optimizing marketing data and feedback, in order to realize the customers' targets such as enhancing brand exposure and improving brand awareness.

The Group recognizes revenue at a point in time when specific services are provided based on the results of the placement of services in relevant platforms which are confirmed with the customers monthly.

AR/VR content business

Utilizing the self-developed AR/VR development engines, AR/VR content business offers customized content according to the needs of customers. The Group provides AR/VR content to customers and bring the end users diversified and immersive experiences in a virtual world.

Revenue is recognized at a point in time when control over the customized content has been transferred to the customer.

Sales of Intellectual Properties (“IPs”)

Revenue from sales of IPs is recognized when the control of the certain adaptation rights of IPs is transferred to a customer. Control of the rights is transferred to the customers, when an agreement has been signed with a customer and the required documents have been delivered.

AR/VR Software as a Service (“SaaS”) services

Leveraging the experiences the Group accumulated in AR/VR marketing service and AR/VR content businesses, the Group provides standardized solutions on the AR/VR SaaS platform. The AR/VR SaaS platform enables customers to generate, publish and utilize AR/VR content.

The Group charges customers for developing customized SaaS content. Revenue from developing customized content is recognized at a point in time when control over the customized content has been transferred to the customer.

Other SaaS services are provided on a subscription basis, and a monthly or annual subscription fee is charged to customers. Revenue generated from subscription fees is recognized over the subscription period on a straight-line basis.

Others

The Group generates revenues from text message services, promotion services, technical services, artist endorsement services, games and games related business. The Group recognizes revenue at a point in time when specific services are provided or the customized product is passed to the customer.

Principal versus agent

When another party is involved in providing goods or services to a customer, the Group determines whether the nature of its promise is a performance obligation to provide the specified goods or services itself (i.e. the Group is a principal) or to arrange for those goods or services to be provided by the other party (i.e. the Group is an agent).

The Group is a principal if it controls the specified good or service before that good or service is transferred to a customer.

The Group is an agent if its performance obligation is to arrange for the provision of the specified good or service by another party. In this case, the Group does not control the specified good or service provided by another party before that good or service is transferred to the customer. When the Group acts as an agent, it recognizes revenue in the amount of any fee or commission to which it expects to be entitled in exchange for arranging for the specified goods or services to be provided by the other party.

Contract costs*Incremental costs of obtaining a contract*

Incremental costs of obtaining a contract are those costs that the Group incurs to obtain a contract with a customer that it would not have incurred if the contract had not been obtained.

The Group recognizes such costs (sales commissions) as an asset if it expects to recover these costs. The asset so recognized is subsequently amortized to profit or loss on a systematic basis that is consistent with the transfer to the customer of the goods or services to which the assets relate.

Costs to fulfil a contract

The Group incurs costs to fulfil its customized product development contracts. The Group first assesses whether these costs qualify for recognition as an asset in terms of other relevant standards, failing which it recognizes an asset for these costs only if they meet all of the following criteria:

- the costs relate directly to a contract or to an anticipated contract that the Group can specifically identify;
- the costs generate or enhance resources of the Group that will be used in satisfying (or in continuing to satisfy) performance obligations in the future; and
- the costs are expected to be recovered.

The asset so recognized is subsequently amortized to profit or loss on a systematic basis that is consistent with the transfer to the customer of the goods or services to which the assets relate. The asset is subject to impairment review.

Leases*Definition of a lease*

A contract is, or contains, a lease if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration.

For contracts entered into or modified on or after the initial application of IFRS 16 or arising from business combinations, the Group assesses whether a contract is or contains a lease based on the definition under IFRS 16 at inception, modification date or acquisition date, as appropriate. Such contract will not be reassessed unless the terms and conditions of the contract are subsequently changed.

The Group applies practical expedient not to separate non-lease components from lease component, and instead account for the lease component and any associated non-lease components as a single lease component.

The Group as lessee***Short-term leases***

The Group applies the short-term lease recognition exemption to leases of buildings that have a lease term of 12 months or less from the commencement date and do not contain a purchase option. Lease payments on short-term leases are recognized as expense on a straight-line basis or another systematic basis over the lease term.

Right-of-use assets

The cost of right-of-use asset includes:

- the amount of the initial measurement of the lease liability;
- any lease payment made at or before the commencement date; and
- any initial direct costs incurred by the Group.

Right-of-use assets are measured at cost, less any accumulated depreciation and impairment losses, and adjusted for any remeasurement of lease liabilities.

Right-of-use assets are depreciated on a straight-line basis over the shorter of its estimated useful life and the lease term.

The Group presents right-of-use assets as a separate line item on the consolidated statement of financial position.

Refundable rental deposits

Refundable rental deposits paid are accounted under IFRS 9 *Financial Instruments* and initially measured at fair value. As the adjustments to fair value at initial recognition are insignificant, such adjustments are not considered and are not included in the cost of right-of-use assets.

Lease liabilities

At the commencement date of a lease, the Group recognizes and measures the lease liability at the present value of lease payments that are unpaid at that date. In calculating the present value of lease payments, the Group uses the incremental borrowing rate at the lease commencement date if the interest rate implicit in the lease is not readily determinable.

The lease payments include fixed payments (including in-substance fixed payments) less any lease incentives receivable.

After the commencement date, lease liabilities are adjusted by interest accretion and lease payments.

The Group remeasures lease liabilities (and makes a corresponding adjustment to the related right-of-use assets) whenever:

- the lease term has changed or there is a change in the assessment of exercise of a purchase option, in which case the related lease liability is remeasured by discounting the revised lease payments using a revised discount rate at the date of reassessment.
- the lease payments change due to changes in market rental rates following a market rent review/expected payment under a guaranteed residual value, in which cases the related lease liability is remeasured by discounting the revised lease payments using the initial discount rate.

The Group presents lease liabilities as a separate line item on the consolidated statement of financial position.

Foreign currencies

In preparing the financial statements of individual entities, transactions in currencies other than the entity's functional currency (foreign currencies) are recorded at the rates of exchange prevailing on the dates of the transactions. At the end of each reporting period, monetary items denominated in foreign currencies are re-translated at the rates prevailing at that date. Non-monetary items that are measured in terms of historical cost in a foreign currency are not retranslated.

Exchange differences arising on the settlement of monetary items, and on the translation of monetary items, are recognized in profit or loss in the period in which they arise.

Borrowing costs

All the Group's borrowing costs not directly attributable to the acquisition, construction or production of qualifying assets are recognized in profit or loss in the period in which they are incurred.

Government grants

Government grants are not recognized until there is reasonable assurance that the Group will comply with the conditions attaching to them and that the grants will be received.

Government grants are recognized in profit or loss on a systematic basis over the periods in which the Group recognizes as expenses the related costs for which the grants are intended to compensate.

Government grants related to income that are receivable as compensation for expenses or losses already incurred or for the purpose of giving immediate financial support to the Group with no future related costs are recognized in profit or loss in the period in which they become receivable. Such grants are presented under "other income".

Retirement benefit costs

Payments to the retirement funds scheme managed by local social security bureau in accordance with the government regulations in the PRC, are recognized as an expense when employees have rendered service entitling them to the contributions.

Short-term employee benefits

Short term employee benefits are recognized at the undiscounted amount of the benefits expected to be paid as and when the employee rendered the services. All short-term employee benefits are recognized as an expense unless another IFRS requires or permits inclusion of the benefit in the cost of an asset.

A liability is recognized for benefits accruing to employees in respect of wages and salaries, annual leave and sick leave after deducting any amount already paid.

Taxation

Income tax expense represents the sum of the tax currently payable and deferred tax.

The tax currently payable is based on taxable profit for the year. Taxable profit differs from profit before tax because of income or expense that are taxable or deductible in other years and items that are never taxable or deductible. The Group's liability for current tax is calculated using tax rates that have been enacted or substantively enacted by the end of the reporting period.

Deferred tax is recognized on temporary differences between the carrying amounts of assets and liabilities in the Historical Financial Information and the corresponding tax bases used in the computation of taxable profit. Deferred tax liabilities are generally recognized for all taxable temporary differences. Deferred tax assets are generally recognized for all deductible temporary differences to the extent that it is probable that taxable profits will be available against which those deductible temporary differences can be utilized. Such deferred tax assets and liabilities are not recognized if the temporary difference arises from the initial recognition (other than in a business combination) of assets and liabilities in a transaction that affects neither the taxable profit nor the accounting profit. In addition, deferred tax liabilities are not recognized if the temporary difference arises from the initial recognition of goodwill.

Deferred tax liabilities are recognized for taxable temporary differences associated with investments in subsidiaries, except where the Group is able to control the reversal of the temporary difference and it is probable that the temporary difference will not reverse in the foreseeable future. Deferred tax assets arising from deductible temporary differences associated with such investments are only recognized to the extent that it is probable that there will be sufficient taxable profits against which to utilize the benefits of the temporary differences and they are expected to reverse in the foreseeable future.

The carrying amount of deferred tax assets is reviewed at the end of each reporting period and reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or part of the asset to be recovered.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply in the period in which the liability is settled or the asset is realized, based on tax rate (and tax laws) that have been enacted or substantively enacted by the end of the reporting period.

The measurement of deferred tax liabilities and assets reflects the tax consequences that would follow from the manner in which the Group expects, at the end of the reporting period, to recover or settle the carrying amount of its assets and liabilities.

For the purposes of measuring deferred tax for leasing transactions in which the Group recognizes the right-of-use assets and the related lease liabilities, the Group first determines whether the tax deductions are attributable to the right-of-use assets or the lease liabilities.

For leasing transactions in which the tax deductions are attributable to the lease liabilities, the Group applies IAS 12 *Income Taxes* requirements to the leasing transaction as a whole. Temporary differences relating to right-of-use assets and lease liabilities are assessed on a net basis. Excess of depreciation on right-of-use assets over the lease payments for the principal portion of lease liabilities resulting in net deductible temporary differences.

Deferred tax assets and liabilities are offset when there is a legally enforceable right to set off current tax assets against current tax liabilities and when they relate to income taxes levied by the same taxation authority.

Current and deferred tax are recognized in profit or loss, except when they relate to items that are recognized in other comprehensive income or directly in equity, in which case, the current and deferred tax are also recognized in other comprehensive income or directly in equity respectively.

Property, plant and equipment

Property, plant and equipment including furniture, fixtures and equipment held for use in the production or supply of goods or services, or for administrative purposes are stated in the consolidated statements of financial position at cost less subsequent accumulated depreciation and subsequent accumulated impairment losses, if any.

Depreciation is recognized so as to write off the cost of assets less their residual values over their estimated useful lives, using the straight-line method. The estimated useful lives, residual values and depreciation method are reviewed at the end of each reporting period, with the effect of any changes in estimate accounted for on a prospective basis.

An item of property, plant and equipment is derecognized upon disposal or when no future economic benefits are expected to arise from the continued use of the asset. Any gain or loss arising on the disposal or retirement of an item of property, plant and equipment is determined as the difference between the sales proceeds and the carrying amount of the asset and is recognized in profit or loss.

Intangible assets***Intangible assets acquired separately***

Intangible assets with finite useful lives that are acquired separately are carried at costs less accumulated amortization and any accumulated impairment losses. Amortization for intangible assets with finite useful lives is recognized on a straight-line basis over their estimated useful lives.

The estimated useful life and amortization method are reviewed at the end of each reporting period, with the effect of any changes in estimate being accounted for on a prospective basis.

An intangible asset is derecognized on disposal, or when no future economic benefits are expected from use or disposal. Gains and losses arising from derecognition of an intangible asset, measured as the difference between the net disposal proceeds and the carrying amount of the asset, are recognized in profit or loss when the asset is derecognized.

Research and development expenditure

Expenditure on research activities is recognized as an expense in the period in which it is incurred.

Where no internally-generated intangible asset can be recognized, development expenditure is recognized in profit or loss in the period in which it is incurred.

Impairment on property, plant and equipment, contract costs, right-of-use assets and intangible assets

At the end of each reporting period, the Group reviews the carrying amounts of its property, plant and equipment, right-of-use assets, and intangible assets with finite useful lives and contract costs to determine whether there is any indication that these assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the relevant asset is estimated in order to determine the extent of the impairment loss (if any).

The recoverable amount of property, plant and equipment, right-of-use assets and intangible assets are estimated individually. When it is not possible to estimate the recoverable amount individually, the Group estimates the recoverable amount of the cash-generating unit to which the asset belongs.

In testing a cash-generating unit for impairment, corporate assets are allocated to the relevant cash-generating unit when a reasonable and consistent basis of allocation can be established, or otherwise they are allocated to the smallest group of cash-generating units for which a reasonable and consistent allocation basis can be established. The recoverable amount is determined for the cash-generating unit or group of cash-generating units to which the corporate asset belongs, and is compared with the carrying amount of the relevant cash-generating unit or group of cash-generating units.

Before the Group recognizes an impairment loss for assets capitalized as contract costs under IFRS 15 *Revenue from Contracts with Customers*, the Group assesses and recognizes any impairment loss on other assets related to the relevant contracts in accordance with applicable standards. Then, impairment loss, if any, for assets capitalized as contract costs is recognized to the extent the carrying amounts exceeds the remaining amount of consideration that the Group expects to receive in exchange for related goods or services less the costs which relate directly to providing those goods or services that have not been recognized as expenses. The assets capitalized as contract costs are then included in the carrying amount of the cash-generating unit to which they belong for the purpose of evaluating impairment of that cash-generating unit.

Recoverable amount is the higher of fair value less costs of disposal and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset (or a cash-generating unit) for which the estimates of future cash flows have not been adjusted.

If the recoverable amount of an asset (or a cash-generating unit) is estimated to be less than its carrying amount, the carrying amount of the asset (or a cash-generating unit) is reduced to its recoverable amount. For corporate assets or portion of corporate assets which cannot be allocated on a reasonable and consistent basis to a cash-generating unit, the Group compares the carrying amount of a group of cash-generating units, including the carrying amounts of the corporate assets or portion of corporate assets allocated to that group of cash-generating units, with the recoverable amount of the group of cash-generating units. In allocating the impairment loss, the impairment loss is allocated first to reduce the carrying amount of any goodwill (if applicable) and then to the other assets on a pro-rata basis based on the carrying amount of each asset in the unit or the group of cash-generating units. The carrying amount of an asset is not reduced below the highest of its fair value less costs of disposal (if measurable), its value in use (if determinable) and zero. The amount of the impairment loss that would otherwise have been allocated to the asset is allocated pro rata to the other assets of the unit or the group of cash-generating units. An impairment loss is recognized immediately in profit or loss.

Where an impairment loss subsequently reverses, the carrying amount of the asset (or cash-generating unit or a group of cash-generating units) is increased to the revised estimate of its recoverable amount, but so that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognized for the asset (or a cash-generating unit or a group of cash-generating units) in prior years. A reversal of an impairment loss is recognized immediately in profit or loss.

Inventories

Inventories mainly consist of certain copyrights of literary works and are stated at the lower of cost and net realizable value. Inventories are initially recognized at costs, including all direct costs associated with the purchase of certain copyrights, which are held for sale in the ordinary course of business. Net realizable value represents the estimated selling price for inventories less all estimated costs necessary to make the sale. Costs necessary to make the sale include incremental costs directly attributable to the sale and non-incremental costs which the Group must incur to make the sale.

Provisions

Provisions are recognized when the Group has a present obligation (legal or constructive) as a result of a past event, it is probable that the Group will be required to settle that obligation, and a reliable estimate can be made of the amount of the obligation.

The amount recognized as a provision is the best estimate of the consideration required to settle the present obligation at the end of the reporting period, taking into account the risks and uncertainties surrounding the obligation. When a provision is measured using the cash flows estimated to settle the present obligation, its carrying amount is the present value of those cash flows (where the effect of the time value of money is material).

Financial instruments

Financial assets and financial liabilities are recognized when a group entity becomes a party to the contractual provisions of the instrument. All regular way purchases or sales of financial assets are recognized and derecognized on a trade date basis. Regular way purchases or sales are purchases or sales of financial assets that require delivery of assets within the time frame established by regulation or convention in the market place.

Financial assets and financial liabilities are initially measured at fair value except for trade receivables arising from contracts with customers which are initially measured in accordance with IFRS 15. Transaction costs that are directly attributable to the acquisition or issue of financial

assets and financial liabilities (other than financial assets or financial liabilities at FVTPL) are added to or deducted from the fair value of the financial assets or financial liabilities, as appropriate, on initial recognition. Transaction costs directly attributable to the acquisition of financial assets or financial liabilities at FVTPL are recognized immediately in profit or loss.

The effective interest method is a method of calculating the amortized cost of a financial asset or financial liability and of allocating interest income and interest expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash receipts and payments (including all fees and points paid or received that form an integral part of the effective interest rate, transaction costs and other premiums or discounts) through the expected life of the financial asset or financial liability, or, where appropriate, a shorter period, to the net carrying amount on initial recognition.

Financial assets

Classification and subsequent measurement of financial assets

Financial assets that meet the following conditions are subsequently measured at amortized cost:

- the financial asset is held within a business model whose objective is to collect contractual cash flows; and
- the contractual terms give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

Financial assets that meet the following conditions are subsequently measured at fair value through other comprehensive income (“**FVTOCI**”):

- the financial asset is held within a business model whose objective is achieved by both selling and collecting contractual cash flows; and
- the contractual terms give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

All other financial assets are subsequently measured at FVTPL, except that at initial recognition of a financial asset the Group may irrevocably elect to present subsequent changes in fair value of an equity investment in other comprehensive income if that equity investment is neither held for trading nor contingent consideration recognized by an acquirer in a business combination to which IFRS 3 *Business Combinations* applies.

A financial asset is held for trading if:

- it has been acquired principally for the purpose of selling in the near term; or
- on initial recognition it is a part of a portfolio of identified financial instruments that the Group manages together and has a recent actual pattern of short-term profit-taking; or
- it is a derivative that is not designated and effective as a hedging instrument.

In addition, the Group may irrevocably designate a financial asset that are required to be measured at the amortized cost or FVTOCI as measured at FVTPL if doing so eliminates or significantly reduces an accounting mismatch.

(i) Amortized cost and interest income

Interest income is recognized using the effective interest method for financial assets measured subsequently at amortized cost and debt instruments/receivables subsequently measured at FVTOCI. Interest income is calculated by applying the effective interest rate to the gross carrying amount of a financial asset, except for financial assets that have subsequently become credit-impaired (see below). For financial assets that have subsequently become credit-impaired, interest income is recognized by applying the effective interest rate to the amortized cost of the financial asset from the next reporting period. If the credit risk on the credit-impaired financial instrument improves so that the financial asset is no longer credit-impaired, interest income is recognized by applying the effective interest rate to the gross carrying amount of the financial asset from the beginning of the reporting period following the determination that the asset is no longer credit impaired.

(ii) Financial assets at FVTPL

Financial assets that do not meet the criteria for being measured at amortized cost or FVTOCI or designated as FVTOCI are measured at FVTPL.

Financial assets at FVTPL are measured at fair value at the end of each reporting period, with any fair value gains or losses recognized in profit or loss. The net gain or loss recognized in profit or loss excludes any dividend or interest earned on the financial asset and is included in the “other gains and losses” line item.

Impairment of financial assets

The Group performs impairment assessment under ECL model on financial assets (including trade and other receivables and deposits, loan receivables, time deposits with maturity over three months and bank balances and cash), which are subject to impairment assessment under IFRS 9. The amount of ECL is updated at each reporting date to reflect changes in credit risk since initial recognition.

Lifetime ECL represents the ECL that will result from all possible default events over the expected life of the relevant instrument. In contrast, 12 months (“**12m**”) ECL represents the portion of lifetime ECL that is expected to result from default events that are possible within 12 months after the reporting date. Assessment are done based on the Group’s historical credit loss experience, adjusted for factors that are specific to the debtors, general economic conditions and an assessment of both the current conditions at the reporting date as well as the forecast of future conditions.

The Group always recognizes lifetime ECL for trade receivables.

For all other instruments, the Group measures the loss allowance equal to 12m ECL, unless when there has been a significant increase in credit risk since initial recognition, in which case the Group recognizes lifetime ECL. The assessment of whether lifetime ECL should be recognized is based on significant increases in the likelihood or risk of a default occurring since initial recognition.

(i) Significant increase in credit risk

In assessing whether the credit risk has increased significantly since initial recognition, the Group compares the risk of a default occurring on the financial instrument as at the reporting date with the risk of a default occurring on the financial instrument as at the date of initial recognition. In making this assessment, the Group considers both quantitative and qualitative information that is reasonable and supportable, including historical experience and forward-looking information that is available without undue cost or effort.

In particular, the following information is taken into account when assessing whether credit risk has increased significantly:

- an actual or expected significant deterioration in the financial instrument’s external (if available) or internal credit rating;

- significant deterioration in external market indicators of credit risk, e.g. a significant increase in the credit spread, the credit default swap prices for the debtor;
- existing or forecast adverse changes in business, financial or economic conditions that are expected to cause a significant decrease in the debtor's ability to meet its debt obligations;
- an actual or expected significant deterioration in the operating results of the debtor;
- an actual or expected significant adverse change in the regulatory, economic, or technological environment of the debtor that results in a significant decrease in the debtor's ability to meet its debt obligations.

Irrespective of the outcome of the above assessment, the Group presumes that the credit risk has increased significantly since initial recognition when contractual payments are more than 30 days past due, unless the Group has reasonable and supportable information that demonstrates otherwise.

The Group regularly monitors the effectiveness of the criteria used to identify whether there has been a significant increase in credit risk and revises them as appropriate to ensure that the criteria are capable of identifying significant increase in credit risk before the amount becomes past due.

(ii) Definition of default

For internal credit risk management, the Group considers an event of default occurs when information developed internally or obtained from external sources indicates that the debtor is unlikely to pay its creditors, including the Group, in full (without taking into account any collaterals held by the Group).

Irrespective of the above, the Group considers that default has occurred when a financial asset is more than 180 days past due unless the Group has reasonable and supportable information to demonstrate that a more lagging default criterion is more appropriate.

(iii) Credit-impaired financial assets

A financial asset is credit-impaired when one or more events of default that have a detrimental impact on the estimated future cash flows of that financial asset have occurred. Evidence that a financial asset is credit-impaired includes observable data about the following events:

- (a) significant financial difficulty of the issuer or the borrower;
- (b) a breach of contract, such as a default or past due event;
- (c) the lender(s) of the borrower, for economic or contractual reasons relating to the borrower's financial difficulty, having granted to the borrower a concession(s) that the lender(s) would not otherwise consider; or
- (d) it is becoming probable that the borrower will enter bankruptcy or other financial reorganization.

(iv) Write-off policy

The Group writes off a financial asset when there is information indicating that the counterparty is in severe financial difficulty and there is no realistic prospect of recovery, for example, when the counterparty has been placed under liquidation or has entered into bankruptcy proceedings. Financial assets written off may still be subject to enforcement activities under the Group's recovery procedures, taking into account legal advice where appropriate. A write-off constitutes a derecognition event. Any subsequent recoveries are recognized in profit or loss.

(v) Measurement and recognition of ECL

The measurement of ECL is a function of the probability of default, loss given default (i.e. the magnitude of the loss if there is a default) and the exposure at default. The assessment of the probability of default and loss given default is based on historical data adjusted by forward-looking information. Estimation of ECL reflects an unbiased and probability-weighted amount that is determined with the respective risks of default occurring as the weights. The Group uses a practical expedient in estimating ECL on trade receivables using a provision matrix taking into consideration historical credit loss experience and forward looking information that is available without undue cost or effort.

Generally, the ECL is the difference between all contractual cash flows that are due to the Group in accordance with the contract and the cash flows that the Group expects to receive, discounted at the effective interest rate determined at initial recognition.

Lifetime ECL for certain trade receivables are considered on a collective basis taking into consideration past due information and relevant credit information such as forward looking macroeconomic information.

For collective assessment, the Group takes into consideration the following characteristics when formulating the grouping:

- Past-due status;
- Nature, size and industry of debtors; and
- External credit ratings where available.

The grouping is regularly reviewed by management to ensure the constituents of each group continue to share similar credit risk characteristics.

Interest income is calculated based on the gross carrying amount of the financial asset unless the financial asset is credit impaired, in which case interest income is calculated based on amortized cost of the financial asset.

The Group recognizes an impairment gain or loss in profit or loss for all financial instruments by adjusting their carrying amount, with the exception of trade receivables and other receivables where the corresponding adjustment is recognized through a loss allowance account.

Derecognition of financial assets

The Group derecognizes a financial asset only when the contractual rights to the cash flows from the asset expire.

On derecognition of a financial asset measured at amortized cost, the difference between the asset's carrying amount and the sum of the consideration received and receivable is recognized in profit or loss.

Financial liabilities and equity*Classification as debt or equity*

Debt and equity instruments are classified as either financial liabilities or as equity in accordance with the substance of the contractual arrangements and the definitions of a financial liability and an equity instrument.

Equity instruments

An equity instrument is any contract that evidences a residual interest in the assets of an entity after deducting all of its liabilities. Equity instruments issued by the Company are recognized at the proceeds received, net of direct issue costs.

Financial liabilities

All financial liabilities are subsequently measured at amortized cost using the effective interest method or at FVTPL.

Financial liabilities at FVTPL

Financial liabilities are classified as at FVTPL when the financial liability is (i) contingent consideration of an acquirer in a business combination to which IFRS 3 applies, (ii) held for trading or (iii) it is designated as at FVTPL.

A financial liability other than a financial liability held for trading or contingent consideration of an acquirer in a business combination may be designated as at FVTPL upon initial recognition if:

- such designation eliminates or significantly reduces a measurement or recognition inconsistency that would otherwise arise; or
- the financial liability forms part of a group of financial assets or financial liabilities or both, which is managed and its performance is evaluated on a fair value basis, in accordance with the Group's documented risk management or investment strategy, and information about the grouping is provided internally on that basis; or
- it forms part of a contract containing one or more embedded derivatives, and IFRS 9 permits the entire combined contract to be designated as at FVTPL.

For financial liabilities that are designated as at FVTPL, the amount of change in the fair value of the financial liability that is attributable to changes in the credit risk of that liability is recognized in other comprehensive income, unless the recognition of the effects of changes in the liability's credit risk in other comprehensive income would create or enlarge an accounting mismatch in profit or loss. For financial liabilities that contain embedded derivatives, the changes in fair value of the embedded derivatives are excluded in determining the amount to be presented in other comprehensive income. Changes in fair value attributable to a financial liability's credit risk that are recognized in other comprehensive income are not subsequently reclassified to profit or loss; instead, they are transferred to retained earnings upon derecognition of the financial liability.

Financial liabilities at amortized cost

Financial liabilities including trade and other payables and bank borrowings are subsequently measured at amortized cost, using the effective interest method.

Derecognition/modification of financial liabilities

The Group derecognizes financial liabilities when, and only when, the Group's obligations are discharged, cancelled or have expired. The difference between the carrying amount of the financial liability derecognized and the consideration paid and payable is recognized in profit or loss.

When the contractual terms of a financial liability are modified, the Group assess whether the revised terms result in a substantial modification from original terms taking into account all relevant facts and circumstances including qualitative factors. If qualitative assessment is not conclusive, the Group considers that the terms are substantially different if the discounted present value of the cash flows under the new terms, including any fees paid net of any fees received, and discounted using the original effective interest rate, is at least 10 per cent different from the discounted present value of the remaining cash flows of the original financial liability. Accordingly such modification of terms is accounted for as an extinguishment, any costs or fees incurred are recognized as part of the gain or loss on the extinguishment. The exchange or modification is considered as non-substantial modification when such difference is less than 10 per cent.

For non-substantial modifications of financial liabilities that do not result in derecognition, the carrying amount of the relevant financial liabilities will be calculated at the present value of the modified contractual cash flows discounted at the financial liabilities' original effective interest rate. Transaction costs or fees incurred are adjusted to the carrying amount of the modified financial liabilities and are amortized over the remaining term. Any adjustment to the carrying amount of the financial liability is recognized in profit or loss at the date of modification.

When an existing financial liability is renegotiated in such a way that the liability is extinguished fully or partially by issuing equity instruments, it is accounted for as an extinguishment of the original financial liability and a recognition of equity instrument at the fair value upon issue with the difference between the carrying amount of the financial liability (or part of the financial liability) extinguished and the consideration paid (being the fair value of the equity instruments issued), recognized to profit or loss.

Derivative financial instruments

Derivatives are initially recognized at fair value at the date when derivative contracts are entered into and are subsequently remeasured to their fair value at the end of the reporting period. The resulting gain or loss is recognized in profit or loss.

Embedded derivatives

Derivatives embedded in hybrid contracts that contain financial asset hosts within the scope of IFRS 9 are not separated. The entire hybrid contract is classified and subsequently measured in its entirety as either amortized cost or fair value as appropriate.

Derivatives embedded in non-derivative host contracts that are not financial assets within the scope of IFRS 9 are treated as separate derivatives when they meet the definition of a derivative, their risks and characteristics are not closely related to those of the host contracts and the host contracts are not measured at FVTPL.

Generally, multiple embedded derivatives in a single instrument that are separated from the host contracts are treated as a single compound embedded derivative unless those derivatives relate to different risk exposures and are readily separable and independent of each other.

5. CRITICAL ACCOUNTING JUDGEMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY

In the application of the Group's accounting policies, which are described in Note 4, the Directors are required to make judgements, estimates and assumptions about the carrying amounts of assets and liabilities that are not readily apparent from other sources. The estimates and associated assumptions are based on historical experience and other factors that are considered to be relevant. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an on-going basis. Revisions to accounting estimates are recognized in the period in which the estimate is revised if the revision affects only that period or in the period of the revision and future periods if the revision affects both current and future periods.

Critical judgements in applying accounting policies

The following are the critical judgements, apart from those involving estimations (see below), that the Directors have made in the process of applying the Group's accounting policies and that have the most significant effect on the amounts recognized in the Historical Financial Information.

Consolidation of affiliated entities

The Group obtained control of the Consolidated Affiliated Entities by entering into the Contractual Arrangements. Nevertheless, the Contractual Arrangements and other measures may not be as effective as direct legal ownership in providing the Group with direct control over the Consolidated Affiliated Entities and uncertainties presented by the PRC legal system could impede the Group's beneficiary rights of the results, assets and liabilities of the Consolidated Affiliated Entities. The Directors, based on the advice of its legal counsel, consider that the Contractual Arrangements are in compliance with the relevant PRC Laws and are legally enforceable.

Key sources of estimation uncertainty

The following are the key assumptions concerning the future, and other key sources of estimation uncertainty at the end of each reporting period, that may have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year.

Fair value of shares with preferred rights and preferred shares

The Group has issued several rounds of shares with preferred rights and preferred shares during the Track Record Period as set out in Note 26. The Group recorded these financial instruments as financial liabilities at FVTPL for which no quoted prices in an active market exist. The fair value of the financial instruments is established by using valuation techniques, which include discounted cash flow and Black-Scholes model involving various parameters and inputs. Valuation techniques are certified by an independent qualified professional valuer before being implemented for valuation and are calibrated to ensure that outputs reflect market conditions. However, it should be noted that some inputs, such as the growth rate in the cash flow projections of the Group, the discount rates, time to liquidation, risk-free interest rate, expected volatility value, dividend yield and possibilities under different scenarios of qualified listing, redemption, and liquidation, require management estimates. Management estimates and assumptions are reviewed periodically and are adjusted if necessary. Should any of the estimates and assumptions changed, it may lead to a change in the fair value of the financial liabilities designated as at FVTPL. The fair values of the shares with preferred rights and preferred shares of the Group during the Track Record Period are set out in Note 26.

Provision of ECL for trade receivables

The Group recognizes lifetime ECL for trade receivables, using collective assessment based on the Group's internal credit ratings except that those with significant increase in credit risk or credit-impaired are assessed individually. The debtors with significant increase in credit risk or credit-impaired are assessed individually by reference to aging, past default experience and current past due exposure of the debtor, and an analysis of the debtor's current financial position. Estimated loss rates are based on historical observed default rates over the expected life of the debtors and are adjusted for forward-looking information. At every reporting date, the historical observed default rates are reassessed and changes in the forward-looking information are considered. As at January 1, 2019, December 31, 2019, 2020 and 2021 and March 31, 2022, the carrying amounts of trade receivables were RMB106,536,000, RMB96,722,000, RMB139,755,000, RMB161,856,000 and RMB197,898,000, after deducting allowance for credit losses of RMB2,928,000, RMB5,502,000, RMB7,864,000, RMB7,000,000 and RMB12,625,000, respectively. Details of trade receivables are set out in Note 21.

6. REVENUE AND SEGMENTAL INFORMATION

Disaggregation of revenue from contracts with customers

	Year ended December 31,			Three months ended March 31,	
	2019	2020	2021	2021	2022
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
				(Unaudited)	
AR/VR marketing service					
business	137,103	141,701	376,341	81,275	165,574
AR/VR content business	45,323	114,758	161,395	42,611	53,685
Sales of IPs	30,519	29,811	4,472	4,717	—
AR/VR SaaS service	6,514	9,238	20,588	2,101	9,522
Others (<i>Note a</i>)	31,483	43,090	32,494	8,045	88
	<u>250,942</u>	<u>338,598</u>	<u>595,290</u>	<u>138,749</u>	<u>228,869</u>

Note:

- a. The amounts represented the revenue from text message services, promotion services, technical services, artist endorsement services, games and games related business.

Timing of revenue recognition

	Year ended December 31,			Three months ended March 31,	
	2019	2020	2021	2021	2022
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
				(Unaudited)	
A point in time	250,942	338,598	589,227	138,588	225,434
Over time	—	—	6,063	161	3,435
	<u>250,942</u>	<u>338,598</u>	<u>595,290</u>	<u>138,749</u>	<u>228,869</u>

Performance obligations for contracts with customers

The Group mainly acts as the principal to contracts with customers and therefore recognized revenue earned and costs incurred related to the transactions on a gross basis where the Group is the primary obligor and is responsible for (i) identifying and contracting with individual customers and negotiating with them for the contract price; (ii) identifying and contracting with suppliers (normally the Group made prepayments to suppliers for the advertising traffic to be used for a future period, for example nine months); and (iii) bearing sole responsibility for fulfillment of the services. Such revenue is recognized at a point in time when specific services were provided based on different pricing models (for example, cost per action or cost per click for performance-based smart marketing services as a result of the placement of promotions in relevant traffic platforms). The normal credit term is three to six months upon the date of the Group's receipt of the bills from the customers.

In addition, the Group also engaged in artist endorsement business and generated agency fee by providing artist endorsement services to advertisers through third-party artist agency. The agency fee earned represented the contract price of advertisers, net of the cost paid to the artist agency. Such revenue amounting to RMB1,883,000 was recognized for the year ended December 31, 2020.

Transaction price allocated to the remaining performance obligation for contracts with customers

As at December 31, 2021 and March 31, 2022, the transaction price allocated to the remaining performance obligations (unsatisfied or partially unsatisfied) for the contracts of AR/VR SaaS services were RMB12,014,000 and RMB8,473,000, respectively, which are expected to be recognized as revenue within two years.

The original expected duration of all other contracts of the Group are within one year or less. As permitted under IFRS 15, the transaction price allocated to these unsatisfied contracts is not disclosed.

Segment information

For management purposes, the Group does not organize into business units based on their services and only has one reportable operating segment. The chief operating decision maker monitors the operating results of the Group's operating segment as a whole for the purpose of making decisions about resources allocation and performance assessment. In this regard, no segment information is presented.

Geographical information

The Group is located in the PRC and all of the Group's revenue is generated from contracts with customers in the PRC based on the place of establishment of the customers, and all of the Group's non-current assets are located in the PRC. Thus, no geographical information is presented.

Information about major customers

Revenue from customers during the Track Record Period contributing for 10% or more of the total revenue of the Group are as follows:

	Year ended December 31,			Three months ended March 31,	
	2019	2020	2021	2021	2022
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
				(Unaudited)	
Customer A.	N/A ²	48,113	60,686	19,132	N/A ²
Customer B.	29,651	— ¹	— ¹	— ¹	— ¹
Customer C.	30,233	N/A ²	— ¹	— ¹	— ¹
Customer D.	25,776	— ¹	— ¹	— ¹	— ¹
Customer E.	— ¹	37,640	N/A ²	N/A ²	N/A ²

¹ No revenue was generated from this customer for the relevant year/period.

² The revenue generated from the customer was less than 10% of the total revenue of the Group for the relevant year/period.

7. OTHER GAINS AND LOSSES

	Year ended December 31,			Three months ended March 31,	
	2019	2020	2021	2021	2022
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
				(Unaudited)	
Gains on disposal of intangible assets.	—	902	—	—	—
Foreign exchange losses	—	—	(5)	—	(20)
Others.	(128)	(629)	452	(819)	—
	(128)	273	447	(819)	(20)

8. IMPAIRMENT LOSSES UNDER EXPECTED CREDIT LOSS MODEL, NET OF REVERSAL

	Year ended December 31,			Three months ended March 31,	
	2019	2020	2021	2021	2022
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
				(Unaudited)	
Impairment losses					
recognized/(reversed) on					
— trade receivables	2,574	2,362	(864)	2,716	5,625
— loan receivables	247	(247)	—	—	—
— other receivables	575	—	—	—	—
	<u>3,396</u>	<u>2,115</u>	<u>(864)</u>	<u>2,716</u>	<u>5,625</u>

Details of impairment assessment for the Track Record Period are set out in Note 33.

9. FINANCE COSTS

	Year ended December 31,			Three months ended March 31,	
	2019	2020	2021	2021	2022
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
				(Unaudited)	
Interest expense on bank borrowings . . .	972	1,886	1,549	489	469
Interest expense on other financial					
liabilities (<i>Note 26</i>)	—	—	515	—	—
Interest expense on lease liabilities . . .	84	34	293	14	83
	<u>1,056</u>	<u>1,920</u>	<u>2,357</u>	<u>503</u>	<u>552</u>

10. PROFIT BEFORE TAX

Profit before tax has been arrived at after charging:

	Year ended December 31,			Three months ended March 31,	
	2019	2020	2021	2021	2022
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
				(Unaudited)	
Depreciation of property, plant and equipment	125	152	570	48	260
Depreciation of right-of-use assets.	992	722	2,746	169	859
Amortization of intangible assets (included in cost of revenue).	4,484	5,726	10,836	2,511	3,687
Total depreciation and amortization	5,601	6,600	14,152	2,728	4,806
Staff costs (including the Directors' remuneration as set out in Note 11):					
Salaries and other benefits.	5,370	7,393	17,987	3,566	6,341
Retirement benefits scheme contributions	1,019	84	2,938	588	799
Discretionary bonus.	2,204	3,158	7,248	1,461	2,179
Total staff costs	8,593	10,635	28,173	5,615	9,319
Auditors' remuneration.	—	—	878	—	98

11. DIRECTORS', CHIEF EXECUTIVE'S AND EMPLOYEES' EMOLUMENTS**(a) Directors' and chief executive's emoluments**

Mr. Wang Lei was appointed as an executive director and chief executive officer of the Company on June 24, 2021.

Mr. Li Yanhao, Ms. Xu Bing and Mr. Li Yao were appointed as executive directors of the Company on December 13, 2021.

Details of the emoluments paid or payable to the Directors and chief executive officer of the Company (including emoluments of their services as employees or directors of the group entities prior to becoming the Directors) during the Track Record Period are as follows:

	Fee	Salaries and other benefits	Contribution to retirement benefits scheme	Discretionary bonus (Note)	Total
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Year ended December 31, 2019					
Executive directors					
Wang Lei	—	285	48	126	459
Li Yanhao	—	193	38	84	315
Xu Bing	—	145	29	63	237
Li Yao	—	196	41	84	321
	—	819	156	357	1,332

	Fee	Salaries and other benefits	Contribution to retirement benefits scheme	Discretionary bonus (Note)	Total
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Year ended December 31, 2020					
Executive directors					
Wang Lei	—	446	4	214	664
Li Yanhao	—	289	3	137	429
Xu Bing	—	192	3	94	289
Li Yao	—	224	3	102	329
	—	1,151	13	547	1,711

	Fee	Salaries and other benefits	Contribution to retirement benefits scheme	Discretionary bonus (Note)	Total
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Year ended December 31, 2021					
Executive directors					
Wang Lei	—	679	55	336	1,070
Li Yanhao	—	437	48	210	695
Xu Bing	—	270	36	126	432
Li Yao	—	277	44	116	437
	—	1,663	183	788	2,634

	Fee	Salaries and other benefits	Contribution to retirement benefits scheme	Discretionary bonus (Note)	Total
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Three months ended March 31, 2022					
Executive directors					
Wang Lei	—	170	14	84	268
Li Yanhao	—	111	14	53	178
Xu Bing	—	69	11	32	112
Li Yao	—	70	12	32	114
	—	420	51	201	672

	Fee	Salaries and other benefits	Contribution to retirement benefits scheme	Discretionary bonus (Note)	Total
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Three months ended March 31, 2021					
(unaudited)					
Executive directors					
Wang Lei	—	170	13	84	267
Li Yanhao	—	107	10	53	170
Xu Bing	—	66	8	32	106
Li Yao	—	68	10	32	110
	—	411	41	201	653

The executive directors' and chief executive's emoluments shown above were mainly for their services in connection with the management affairs of the Company and the Group.

On September 8, 2022, Jiang Yi, Tan Deqing and Wang Beili have been appointed as independent non-executive directors of the Company.

Note: The discretionary bonus is determined by the Directors based on the performance of the Directors and the Group.

(b) Employees' emoluments

The five highest paid employees of the Group included three, four, three, two (unaudited) and two Directors during each of the years ended December 31, 2019, 2020 and 2021 and the three months ended March 31, 2021 and 2022, respectively, details of whose remuneration are set out above. Details of the remuneration for the remaining highest paid employees during the Track Record Period, who were neither a Director nor chief executive officer of the Company are as follows:

	Year ended December 31,			Three months ended March 31,	
	2019	2020	2021	2021	2022
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
				(Unaudited)	
Salaries and other benefits.	424	225	659	254	265
Contributions to retirement benefits schemes	78	3	104	39	39
Discretionary bonus (<i>Note</i>)	188	97	304	118	122
	<u>690</u>	<u>325</u>	<u>1,067</u>	<u>411</u>	<u>426</u>

The remunerations of each of the highest paid employees who are neither Directors nor chief executive officer are all within HK\$1,000,000.

Note: The discretionary bonus is determined by the Directors based on the performance of the employees and the Group.

During the Track Record Period, none of the Directors and chief executive officer of the Company had waived any emoluments and no emoluments had been paid by the Group to any of the Directors or chief executive officer or the five highest paid individuals as an inducement to join or upon joining the Group or as compensation for loss of office.

12. INCOME TAX EXPENSE

	Year ended December 31,			Three months ended March 31,	
	2019	2020	2021	2021	2022
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
				(Unaudited)	
Current enterprise income tax.	6,887	10,379	15,667	3,187	12,460
Deferred tax (<i>Note 18</i>)	(420)	(260)	(244)	(402)	(1,838)
	<u>6,467</u>	<u>10,119</u>	<u>15,423</u>	<u>2,785</u>	<u>10,622</u>

Tax charge for the year/period can be reconciled to the profit before tax per the consolidated statements of profit or loss and other comprehensive income as follows:

	Year ended December 31,			Three months ended March 31,	
	2019	2020	2021	2021	2022
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i> (Unaudited)	<i>RMB'000</i>
Profit before tax	48,346	70,371	87,142	11,971	48,827
Tax at the applicable tax rate of 25% . . .	12,087	17,593	21,786	2,993	12,207
Tax effect of expenses not deductible for tax purpose	21	365	5,484	2,404	81
Effect of research and development expenses that are additionally deducted	(1,086)	(1,401)	(1,918)	(1,033)	(1,296)
Effect on concessionary tax rate	(5,026)	(6,648)	(10,731)	(1,719)	—
Utilisation of previously unrecognized tax losses	(126)	(54)	—	—	—
Tax effect of deductible temporary differences/tax losses not recognized . .	597	264	802	140	328
Effect of changes in tax rate applicable to deferred tax assets	—	—	—	—	(698)
Tax charge	6,467	10,119	15,423	2,785	10,622

Cayman Islands

Under the current laws of the Cayman Islands, the Company is not subject to tax on income or capital gains. Additionally, the Cayman Islands does not impose a withholding tax on payments of dividends to shareholders.

PRC

Under the Law of the PRC on Enterprise Income Tax (the “EIT Law”) and Implementation Regulation of the EIT Law, the tax rate applicable for PRC group entities is 25% for the Track Record Period.

Ophyer Technology was qualified as a High-New Technology Enterprises (“HNTTE”) since August 10, 2017, and the HNTTE status was approved to extend for another three years on December 2, 2020. A preferential income tax rate of 15% would be entitled by Ophyer Technology if certain requirements have been met. For the three years ended December 31, 2021, the requirements have been met and Ophyer Technology was subject to a preferential income tax rate of 15%. For the three months ended March 31, 2022, the management assessed and concluded that certain requirements of HNTTE could not be met and Ophyer Technology probably could not entitle the preferential income tax rate of 15% for the year ended December 31, 2022 and was subject to the income tax rate of 25%.

According to “關於新疆喀什霍爾果斯兩個特殊經濟開發區企業所得稅優惠政策的通知” (Caishui [2011] 112) issued by the State Administration of Taxation and the Ministry of Finance of the PRC, Horgos Core Network Technology Co., Ltd, which was founded in 2017 and located in Horgos city in the PRC, and Kashi Fanxing Information Technology Co., Ltd, which was founded in 2018 and located in Kashi city in the PRC, were exempted from income tax before December 31, 2020.

Certain subsidiaries have been approved as small low-profit enterprises. The entitled subsidiaries are subject to a preferential income tax rate of 5% or 10% during the Track Record Period.

13. EARNINGS PER SHARE

The calculation of the basic and diluted earnings per share attributable to owners of the Company is based on the following data:

Earnings figures are calculated as follows:

	Year ended December 31,			Three months ended March 31,	
	2019	2020	2021	2021	2022
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
				(Unaudited)	
Profit for the year/period attributable to owners of the Company	41,879	58,883	70,202	8,640	38,278
Earnings for the purpose of basic and diluted earnings per share	41,879	58,883	70,202	8,640	38,278

Number of shares

	Year ended December 31,			Three months ended March 31,	
	2019	2020	2021	2021	2022
	'000	'000	'000	'000	'000
				(Unaudited)	
Weighted average number of ordinary shares for the purpose of basic earnings per share	1,200,535	1,200,535	1,350,154	1,200,535	1,538,500
Effect of potential ordinary shares — shares with preferred rights.	—	2,381	—	—	—
Weighted average number of ordinary shares for the purpose of diluted earnings per share	<u>1,200,535</u>	<u>1,202,916</u>	<u>1,350,154</u>	<u>1,200,535</u>	<u>1,538,500</u>

The weighted average number of ordinary shares for the purpose of calculating basic and diluted earnings per share has been determined on the assumption that the Reorganization and capitalization issue as disclosed in Note 2, Note 30 and Note 38 had been effected since January 1, 2019.

Diluted earnings per share is calculated by adjusting the weighted average number of ordinary shares outstanding to assume conversion of all dilutive potential ordinary shares, including the effect of shares with preferred rights and preferred shares as disclosed in Note 26. For the year ended December 31, 2019 and the three months ended March 31, 2022, there were no potential ordinary shares. For the year ended December 31, 2021 and the three months ended March 31, 2021 (unaudited), the potential ordinary shares were not included in the calculation of diluted earnings per share, as their inclusion would be anti-dilutive. Accordingly, diluted earnings per share for the years ended December 31, 2021 and the three months ended March 31, 2021 (unaudited) were the same as basic earnings per share for the respective years.

14. DIVIDENDS

No dividend has been declared or paid by the Company since its incorporation.

The rate of dividend and the number of shares ranking for the dividend are not presented as such information is not meaningful having regards for the purpose of the Historical Financial Information.

15. PROPERTY, PLANT AND EQUIPMENT

	Furniture, fixtures and equipment
	<i>RMB'000</i>
COST	
At January 1, 2019	394
Additions	31
At December 31, 2019	425
Additions	338
At December 31, 2020	763
Additions	2,301
At December 31, 2021	3,064
Additions	975
At March 31, 2022	4,039
DEPRECIATION	
At January 1, 2019	77
Provided for the year	125
At December 31, 2019	202
Provided for the year	152
At December 31, 2020	354
Provided for the year	570
At December 31, 2021	924
Provided for the period	260
At March 31, 2022	1,184
CARRYING VALUES	
At December 31, 2019	223
At December 31, 2020	409
At December 31, 2021	2,140
At March 31, 2022	2,855

The above items of property, plant and equipment are depreciated so as to write off the cost of assets less their residual values on a straight-line basis over the following periods:

Furniture, fixtures and equipment	3 years
-----------------------------------	---------

16. RIGHT-OF-USE ASSETS

The Group leases certain office buildings, the lease term of which during the Track Record Period varies from 2 to 3 years. In determining the lease term and assessing the length of the non-cancellable period, the Group applies the definition of a contract and determines the period for which the contract is enforceable.

The Group does not have the option to purchase the leased properties at the end of the lease term. The lease contracts do not impose any covenants, but the leased assets may not be used as security for borrowing purposes.

	<u>Leased properties</u>
	<i>RMB'000</i>
COST	
At January 1, 2019	1,984
Additions	—
At December 31, 2019	1,984
Additions	1,185
Derecognition upon expiration of the term	(1,984)
At December 31, 2020	1,185
Additions	8,279
At December 31, 2021	9,464
Additions	—
At March 31, 2022	9,464

	<u>Leased properties</u>
	<i>RMB'000</i>
DEPRECIATION	
At January 1, 2019	496
Charge for the year	992
At December 31, 2019	1,488
Charge for the year	722
Derecognition upon expiration of the term	(1,984)
At December 31, 2020	226
Charge for the year	2,746
At December 31, 2021	2,972
Charge for the period	859
At March 31, 2022	3,831
CARRYING VALUES	
At December 31, 2019	496
At December 31, 2020	959
At December 31, 2021	6,492
At March 31, 2022	5,633

The Group regularly entered into short-term leases for properties. During the three years ended December 31, 2021 and the three months ended March 31, 2021 and 2022, expenses relating to short-term leases of buildings amounting to RMB108,000, RMB766,000, RMB497,000, RMB267,000 (unaudited) and RMB184,000, respectively, were recognized.

During the three years ended December 31, 2021 and the three months ended March 31, 2021 and 2022, the total cash outflow for leases were RMB1,143,000, RMB1,663,000, RMB4,502,000, RMB459,000 (unaudited) and RMB969,000, respectively.

17. INTANGIBLE ASSETS

	Softwares	IPs	Total
	<i>RMB'000</i>	<i>RMB'000</i> <i>(Note)</i>	<i>RMB'000</i>
COST			
At January 1, 2019	11	16,037	16,048
Additions	—	5,179	5,179
At December 31, 2019	11	21,216	21,227
Additions	12	20,755	20,767
Disposals	—	(1,189)	(1,189)
Expiration of authorization	—	(3,019)	(3,019)
At December 31, 2020	23	37,763	37,786
Additions	119	14,151	14,270
Expiration of authorization	(11)	(7,134)	(7,145)
At December 31, 2021	131	44,780	44,911
Additions	60	28,302	28,362
At March 31, 2022	191	73,082	73,273
AMORTIZATION			
At January 1, 2019	9	4,967	4,976
Provided for the year	2	4,482	4,484
At December 31, 2019	11	9,449	9,460
Provided for the year	2	5,724	5,726
Eliminated on disposals	—	(221)	(221)
Expiration of authorization	—	(3,019)	(3,019)
At December 31, 2020	13	11,933	11,946
Provided for the year	16	10,820	10,836
Expiration of authorization	(11)	(7,134)	(7,145)
At December 31, 2021	18	15,619	15,637
Provided for the period	16	3,671	3,687
At March 31, 2022	34	19,290	19,324
CARRYING VALUES			
At December 31, 2019	—	11,767	11,767
At December 31, 2020	10	25,830	25,840
At December 31, 2021	113	29,161	29,274
At March 31, 2022	157	53,792	53,949

Note: IPs refer to the Group's adaptation right for production of AR/VR SaaS pattern plates, AR/VR contents and games which are based on certain fictions, animation images and games acquired from the owners of these IPs. These rights have a term of 3 to 5 years. During the year ended December 31, 2020, the Group disposed of certain IPs with an aggregate carrying amount of RMB968,000 for cash consideration of RMB1,870,000 (excluding VAT), resulting in a gain on disposal of RMB902,000.

All of the Group's intangible assets were acquired from independent third parties and have finite useful lives or authorization periods. Such intangible assets are amortized on a straight-line basis over the following periods:

Softwares	3 years
IPs	3–5 years

18. DEFERRED TAX

The following is the analysis of the deferred tax balances for financial reporting purpose:

	As at December 31,			As at March 31,
	2019	2020	2021	2022
	RMB'000	RMB'000	RMB'000	RMB'000
Deferred tax assets	821	1,081	1,325	3,163

The deferred tax assets recognized by the Group and the movements thereon during the Track Record Period are as follows:

	Tax losses	ECL provisions	Total
	RMB'000	RMB'000	RMB'000
At January 1, 2019	—	401	401
Credit to profit or loss	—	420	420
At December 31, 2019	—	821	821
Credit to profit or loss	—	260	260
At December 31, 2020	—	1,081	1,081
Credit/(charge) to profit or loss	266	(22)	244
At December 31, 2021	266	1,059	1,325
(Charge)/credit to profit or loss	(266)	1,406	1,140
Effect of change in tax rate	—	698	698
At March 31, 2022	—	3,163	3,163

As at the end of each reporting period, the Group has unrecognized tax losses available for offsetting against future profits as follows:

	As at December 31,			As at March 31,
	2019	2020	2021	2022
	RMB'000	RMB'000	RMB'000	RMB'000
Unrecognized tax losses (<i>Note</i>)	1,901	2,239	5,295	6,607

Note: The use of these tax losses is subject to the agreement of the tax authorities and compliance with certain provisions of the tax legislation of the PRC. The unrecognized tax losses will expire in five years after they are incurred, in respect of which, no deferred tax asset has been recognized due to the unpredictability of future tax profit streams. The unrecognized tax losses declared will expire in the following years:

	As at December 31,			As at March 31,
	2019	2020	2021	2022
	RMB'000	RMB'000	RMB'000	RMB'000
2020	60	—	—	—
2023	44	28	—	—
2024	1,797	1,598	1,028	1,028
2025	—	613	388	388
2026	—	—	3,879	3,879
2027	—	—	—	1,312
	1,901	2,239	5,295	6,607

As at December 31, 2019, 2020 and 2021 and March 31, 2022, the Group has other deductible temporary differences of approximately RMB852,000, RMB1,295,000, RMB550,000 and RMB550,000, which are mainly arising from impairment losses. No deferred tax asset has been recognized in relation to such other deductible temporary differences as it is not probable that taxable profit will be available for offsetting against which the deductible temporary differences can be utilized.

Under the EIT Law of PRC, withholding tax is imposed on dividends declared in respect of profits earned by PRC subsidiaries from 1 January 2008 onwards. As at December 31, 2021 and March 31, 2022, deferred taxation has not been provided for in the Historical Financial Information in respect of temporary differences attributable to accumulated profits of the PRC subsidiaries amounting to RMB234,803,000 and RMB272,786,000, respectively, as the Group is able to control the timing of the reversal of the temporary differences and it is probable that the temporary differences will not reverse in the foreseeable future.

19. INVENTORIES

	As at December 31,			As at
	2019	2020	2021	March 31,
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>2022</i> <i>RMB'000</i>
Copyright rights for sale	10,396	4,301	—	—

20. LOAN RECEIVABLES

Loan receivables as at December 31, 2019 represented unsecured and unguaranteed loans to two suppliers for the supplier's liquidity purpose.

	As at December 31, 2019		
	Effective interest	Maturity date	Carrying amount
	rate		
	%		<i>RMB'000</i>
CURRENT			
Loan receivables			
RMB5,000,000 fixed-rate loan			
receivables	12.00	May 10, 2020	5,013
RMB12,400,000 fixed-rate loan			
receivables	9.60	December 14, 2020	12,251
			<u>17,264</u>

Included in the carrying amount of loan receivables as at December 31, 2019 were accumulated impairment losses of RMB247,000.

The principal and interests of the loan receivables were received in full during the year ended December 31, 2020.

The Company's management is of the view that the arrangements do not contravene the Civil Code of the PRC or related judicial interpretation.

21. TRADE AND OTHER RECEIVABLES AND DEPOSITS

The Group

	At January 1,	As at December 31,			As at March 31,
	2019	2019	2020	2021	2022
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Trade receivables	109,464	102,224	147,619	168,856	210,523
Less: Allowance for credit losses	(2,928)	(5,502)	(7,864)	(7,000)	(12,625)
	<u>106,536</u>	<u>96,722</u>	<u>139,755</u>	<u>161,856</u>	<u>197,898</u>
Share issue costs		—	—	3,645	4,846
Rental and other deposits		213	435	393	752
Amounts due from shareholders		—	—	7	7
Other receivables		575	576	806	659
Less: Allowance for credit losses		(578)	(578)	(578)	(578)
		<u>210</u>	<u>433</u>	<u>4,273</u>	<u>5,686</u>
Total trade and other receivables and deposits		<u>96,932</u>	<u>140,188</u>	<u>166,129</u>	<u>203,584</u>

Amounts due from shareholders were non-trade related, unsecured, interest free, repayable on demand and have been settled prior to the Listing.

The Group usually allows a credit period of three to six months to its customers which is interest free with no collateral. Aging of trade receivables, net of allowance for credit losses, is prepared based on the date of the Group's receipt of the bills from the customers, which approximated the respective revenue recognition dates, are as follows:

	As at December 31,			As at March 31,
	2019	2020	2021	2022
	RMB'000	RMB'000	RMB'000	RMB'000
Within 6 months	68,759	89,398	144,185	158,935
6–12 months	15,063	41,615	11,697	30,873
1–2 years	12,900	6,866	5,974	8,090
2–3 years	—	1,876	—	—
	<u>96,722</u>	<u>139,755</u>	<u>161,856</u>	<u>197,898</u>

At December 31, 2019, 2020 and 2021 and March 31, 2022, included in the Group's trade receivables balance were debtors with aggregate carrying amounts of RMB27,963,000, RMB50,357,000, RMB17,671,000 and RMB38,963,000 which were past due as at those dates. Out of the past due balance, RMB12,900,000, RMB6,866,000, RMB5,974,000 and RMB8,090,000 have been past due for 180 days or more and are not considered as in default because the amounts were due from a number of independent reputable customers with good credit ratings. The Group considers that there is no significant change in these customers' credit risk.

Details of impairment assessment of trade and other receivables and deposits are set out in Note 33.

The Company

Amounts due from shareholders were non-trade related, unsecured, interest free, repayable on demand and have been settled prior to the Listing.

22. CONTRACT COSTS

	As at December 31,			As at
	2019	2020	2021	March 31,
	RMB'000	RMB'000	RMB'000	2022
				RMB'000
Current				
Incremental costs to obtain contracts . .	—	—	3,803	2,552
Costs to fulfill contracts				
— Setup cost	22,170	20,802	5,693	8,812
	<u>22,170</u>	<u>20,802</u>	<u>9,496</u>	<u>11,364</u>
	As at December 31,			As at
	2019	2020	2021	March 31,
	RMB'000	RMB'000	RMB'000	2022
				RMB'000
Non-current				
Incremental costs to obtain contracts . .	<u>—</u>	<u>—</u>	<u>1,005</u>	<u>803</u>

Incremental costs to obtain contracts capitalized relate to the incremental sales commissions paid to agents whose selling activities resulted in customers entering into sale and purchase agreements for the Group's SaaS service. Contract costs are recognized as part of cost of revenue in the consolidated statements of profit or loss in the period in which revenue from the related SaaS services is recognized. The amount of capitalized costs recognized in profit or loss during the year ended December 31, 2021 and the three months ended March 31, 2022 were RMB2,437,000 and RMB1,431,000. There was no impairment in relation to these costs capitalized during the year/period.

Costs to fulfill contracts capitalized relate to the setup cost to provide the AR/VR content. Contract costs are recognized as part of cost of revenue in the consolidated statements of profit or loss in the period in which revenue from the related AR/VR content is recognized. The amount of capitalized costs recognized in profit or loss during the years ended December 31, 2019, 2020 and 2021 and the three months ended March 31, 2022 were RMB7,547,000, RMB36,792,000, RMB44,481,000 and RMB5,491,000, respectively. There was no impairment in relation to these costs capitalized during the years/period.

23. PREPAYMENTS

The Group

	As at December 31,			As at
				March 31,
	2019	2020	2021	2022
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
Prepayments for purchases of traffic . .	44,660	85,937	138,436	171,509
Prepayments for outsourcing service . .	170	6,875	13,969	16,099
Prepayments for purchases of inventories	272	—	—	—
Prepaid listing expenses and share issue costs	—	—	431	1,689
Other prepayments	103	191	539	2,028
	<u>45,205</u>	<u>93,003</u>	<u>153,375</u>	<u>191,325</u>

The Company

The balances as at December 31, 2021 and March 31, 2022 represented prepaid listing expenses and share issue costs.

24. BANK BALANCES AND CASH**The Group and the Company**

Bank balances carried interest at market interest rate ranging from 0.30% to 0.35% per annum as at December 31, 2019, 2020 and 2021 and March 31, 2022. Bank balances and cash as at December 31, 2021 and March 31, 2022 amounting to RMB6 was denominated in US Dollar (“USD”). Bank balances and cash as at December 31, 2021 and March 31, 2022 amounting to RMB2,475,000 and RMB2,385,000 were denominated in Hong Kong Dollar (“HKD”).

25. TRADE AND OTHER PAYABLES**The Group**

	As at December 31,			As at March 31,
	2019	2020	2021	2022
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
Trade payables	45,381	45,520	44,263	60,361
Employee compensation payable	810	1,574	3,049	3,210
Other tax payable	6,410	15,128	21,683	27,367
Accrued listing expenses	—	—	3,841	718
Accrued share issue costs	—	—	2,426	210
Other payables and accruals	5	1,677	78	698
	<u>52,606</u>	<u>63,899</u>	<u>75,340</u>	<u>92,564</u>

The following is an aged analysis of trade payables presented based on the date of billing documents at the end of each reporting period.

	As at December 31,			As at March 31,
	2019	2020	2021	2022
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
Within 6 months	36,994	27,992	25,080	40,287
6–12 months	5,449	1,850	2,048	1,739
1–2 years	2,938	15,378	2,877	4,077
Over 2 years	—	300	14,258	14,258
	<u>45,381</u>	<u>45,520</u>	<u>44,263</u>	<u>60,361</u>

The average credit period on purchases of goods or services is three to six months.

26. FINANCIAL LIABILITIES AT FVTPL AND OTHER FINANCIAL LIABILITIES

Ophyer Technology entered into share subscription agreements with independent investors and issued four rounds (“**Round A**”, “**Round A+**”, “**Round B**” and “**Round C**”, respectively) of shares with preferred rights or preferred shares from year 2020 to 2021, and all the preferred rights have subsequently been canceled in July 2021 and all the preferred shares have been converted into ordinary shares in December 2021. Fair values for each round at the end of each Track Record Period are as follows:

	As at December 31,			As at
	2019	2020	2021	March 31,
	RMB'000	RMB'000	RMB'000	2022
				RMB'000
Current liabilities				
Round A	—	18,006	—	—
Round A+	—	30,351	—	—
Round B	—	—	—	—
Round C	—	—	—	—
	—	48,357	—	—
	<u>—</u>	<u>48,357</u>	<u>—</u>	<u>—</u>

Round A

In July 2020, Ophyer Technology entered into Round A share subscription agreements with four third-party investors (“**Round A investors**”). Ophyer Technology issued 348,500 shares with preferred rights at RMB1.00 per share for a total cash proceeds of RMB20 million, representing 3.72% of the ownership of Ophyer Technology on a fully diluted basis. Ophyer Technology received the payment amounting to RMB17,000,000 during the year ended December 31, 2020 and RMB3,000,000 during the year ended December 31, 2021, respectively.

The key terms of Round A Shares are set as below:

(a) *Anti-dilution rights*

When Ophyer Technology intends to increase its registered capital through capital increase and share expansion, issuance of new shares or issuance of convertible bonds, if the subscription price for each RMB registered capital of such subsequent capital increase is lower than the subscription price corresponding to each RMB of registered capital invested by Round A investors in Ophyer Technology, certain Round A investors have the rights to require Mr. Wang Lei or Ophyer Technology to jointly and severally transfer a certain proportion of Ophyer Technology's shares to certain Round A investors free of charge to adjust certain Round A investors' proportion of shares held equal to a specific proportion.

(b) *Liquidation preference*

In the event of any liquidation, including the transfer of material assets and the acquisition with change of control of Ophyer Technology, all assets and funds of Ophyer Technology legally available for distribution to the shareholders shall be distributed to the shareholders of Ophyer Technology as follows:

- Certain Round A investor shares with preferred rights at the higher of 100% of the issue price plus 10% simple annual interest of the issue price commencing from the issue date and 1.5 times of the issue price, and shares the residual distribution with the other shareholders, if any, but up to the ceiling of 3 times of the issue price;
- Other shareholders of Ophyer Technology except certain Round A investor with preferred rights.

(c) *Preemptive rights*

When Ophyer Technology increases capital or issues new shares, it should first notify certain Round A investors in writing of the proposed conditions, commercial terms and related terms of the capital increase or new share issuance, including but not limited to the number of capital increase or issuance of new shares, pricing standards, estimated completion time, etc. Certain Round A investors shall have the same priority to subscribe for capital increase/subscribe for newly issued shares based on its shareholding ratio under the same terms and conditions as the existing shareholders.

(d) Performance compensation right

Certain Round A investor has the right to require Mr. Wang Lei or Ophyer Technology to jointly and severally compensate for the shortfall from the committed net profit attributable to certain Round A investor at cash during the years ended December 31, 2020 and 2021, and the year ending December 31, 2022.

(e) Redemption rights

Round A investors have the right to require Mr. Wang Lei or Ophyer Technology to jointly and severally purchase the shares of Ophyer Technology held by Round A investors if the investment agreement is terminated due to the provisions as follows:

- If Ophyer Technology fails to complete the listing procedures, or be acquired by a listed company before June 30, 2023 or December 31, 2023, Round A investors can terminate the agreement;
- If Ophyer Technology and/or Mr. Wang Lei violate or fail to fulfill any of their commitments under the agreements, Round A investors may terminate the agreement;
- If any of the information provided by Ophyer Technology and/or Mr. Wang is false or inaccurate in a material aspect or with material omission, Round A investors can terminate the agreement accordingly.

The redemption price for Round A shares with preferred rights shall be the higher of 100% of the issue price plus 8-10% simple annual interest of the issue price commencing from the issue date and the issue price plus the net increase of equity of Ophyer Technology.

(f) Rights of co-sale

When Mr. Wang Lei intends to pledge, sell, transfer or otherwise dispose of all or part of Ophyer Technology's equity held by him, a written approval of transfer with proposed conditions, commercial terms and any related terms should be granted by certain Round A investors. Certain Round A investor has the right to transfer the equity based on the shareholding ratio at the price not lower than the approved transfer price.

(g) Most favourable terms

If Ophyer Technology raises any capital in previous or subsequent financing on terms and conditions which are more favourable than Round A shares, certain Round A investor shall be entitled to such more favourable terms and the terms of its original investment shall be adjusted to reflect such most favourable terms.

Considering the Group has no unconditional right to avoid delivering cash to Round A investors and the conversion feature is a derivative over own equity that will not be settled via delivery of fixed number of shares in exchange for fixed cash, hence the Group designates the entire Round A shares with preferred rights, including the performance compensation rights, as financial liabilities at FVTPL with fair value changes recognized in “fair value changes of financial liabilities designated as at FVTPL” in profit or loss.

Round A+

In December 2020 and January 2021, Ophyer Technology entered into Round A+ share subscription agreements with third-party investors (“**Round A+ investors**”). Ophyer Technology issued 1,960,313 shares at RMB1.00 per share for a total cash proceeds of RMB125 million, representing 17.87% of the ownership of Ophyer Technology on a fully diluted basis. Ophyer Technology received the payment amounting to RMB30,000,000 during the year ended December 31, 2020 and RMB95,000,000 during the year ended December 31, 2021, respectively.

The key terms of Round A+ shares with preferred rights are set as below:

(a) Performance compensation right

Round A+ investors have the right to require Mr. Wang Lei or Ophyer Technology to jointly and severally compensate for the shortfall from the committed net profit attributable to Round A+ investors at cash or shares, including the Ophyer Technology’s registered capital transferred from the capital reserve and reserve funds and directional issued to Round A+ investors, if Ophyer Technology fails to fulfill the committed performance during the years ended December 31, 2020 and 2021, and the year ending December 31, 2022.

(b) Liquidation preference

In the event of any liquidation, including the transfer of material assets and the acquisition with change of control of Ophyer Technology, all assets and funds of Ophyer Technology legally available for distribution to the shareholders shall be distributed to the shareholders of Ophyer Technology and Round A+ investors have the right to require Mr. Wang Lei or Ophyer Technology to compensate up to the higher of the 120% of the issue price and the issue price plus 12% simple annual interest of the issue price commencing from the issue date.

(c) Redemption rights

Round A+ investors have the right to require Mr. Wang Lei or Ophyer Technology to jointly and severally purchase the shares of Ophyer Technology held by Round A+ investors if the investment agreement is terminated due to the provisions as follows:

- If Ophyer Technology fails to complete the listing procedures, or be acquired by a listed company before December 31, 2023, Round A+ investors can terminate the agreement;
- If Ophyer Technology and/or Mr. Wang Lei violate or fail to fulfill any of their commitments under the agreements, Round A+ investors may terminate the agreement;
- If any of the information provided by Ophyer Technology and/or Mr. Wang is false or inaccurate in a material aspect or with material omission, Round A+ investors can terminate the agreement accordingly.

The redemption price for Round A+ shares with preferred rights shall be the higher of the issue price plus 12% simple annual interest of the issue price commencing from the issue date and the net assets of Ophyer Technology at the redemption date attributable to Round A+ shares of, minus all the distributed dividends.

Round A+ investors are also entitled to the preemptive rights, anti-dilution rights, rights of co-sale and the most favorable terms as Round A investors.

Considering the Group has no unconditional right to avoid delivering cash to Round A+ investors and the conversion feature is a derivative over own equity that will not be settled via delivery of fixed number of shares in exchange for fixed cash, hence the Group designates the entire Round A+ shares with preferred rights, including the performance compensation rights, as financial liabilities at FVTPL with fair value change recognized in “fair value changes of financial liabilities designated as at FVTPL” in profit or loss.

Meanwhile, certain Round A investor is automatically entitled to the preferred rights of Round A+ investors under the most favorable terms, including the performance compensation right, liquidation preference and redemption rights, which will be considered afterwards in determining the fair value of corresponding Round A shares held by certain Round A investor.

Round B

In April 2021, certain third-party investors (“**Round B investors**”) purchased 260,486 shares from the previous ordinary shareholders and entered into supplement agreements with Ophyer Technology for the preferred rights. Due to the most favorable terms in the supplement agreements, Round B investors were entitled the same preferred rights as Round A+ investors. Therefore, the entitlement of preferred rights for Round B shares results in derecognition of the equity and recognition of financial liability at its fair value amounting to RMB15,719,000 at the acquisition date of Round B shares in April 2021, with the difference of RMB15,348,000 between the previous carrying amount recognized in equity and the fair value of financial liability recognized as an adjustment within equity. The Group also designates Round B shares with preferred rights, including the performance compensation rights, as financial liabilities at FVTPL with fair value changes recognized in “fair value changes of financial liabilities designated as at FVTPL” in profit or loss.

On July 2, 2021, Ophyer Technology entered into supplemental agreements with the investors of the three rounds (the “**Round A**”, “**Round A+**” and “**Round B**”, respectively) of shares that set out above. According to the supplemental agreements, all the preferred rights of the shares related to the Group were terminated, which resulted in the reclassification of the three rounds of 2,569,299 shares from financial liabilities at FVTPL to equity of Ophyer Technology at the fair value amounting to RMB181,217,000.

Presentation and Classification

The three rounds of shares with preferred rights were valued by the Directors with reference to valuation carried out by an independent qualified professional valuer, Asia-Pacific Consulting and Appraisal Limited, which is located at Room 2201, Digital 01 Building, No. 12, Guanghua Road, Chaoyang District, Beijing, who is not connected with the Group. Ophyer Technology used

the discounted cash flow method and the scenario-based analysis to determine the underlying shares' value of Ophyer Technology and the fair value of the performance compensation rights which is consolidated within financial liabilities at FVTPL and performed an equity allocation based on option-pricing model to arrive at the fair value of the shares with preferred rights as of the dates of issuance and as at December 31, 2020 and July 2, 2021. Key valuation assumptions are set out as below:

	As of December 31, 2020	As of July 2, 2021
Average revenue growth rate.....	21.03%	21.53%
Risk-free interest rate	2.78%	2.72%
Expected volatility value.....	63.76%	64.85%
Discount rate.....	19.00%	19.00%
Discounts for lack of marketability (“ DLOM ”).....	22.50%	22.50%
Possibilities under liquidation scenario	10.00%	10.00%
Possibilities under redemption scenario.....	45.00%	45.00%
Possibilities under listing scenario.....	45.00%	45.00%

The management of the Group estimated the risk-free interest rate based on the yield of the Chinese treasury bonds with a maturity life close to period from the respective valuation dates to the expected liquidation dates. Volatility was estimated on each valuation date based on average of historical volatilities of the comparable companies in the same industry for a period from the respective valuation dates to expected liquidation dates. Discount rate was estimated by weighted average cost of capital as of each valuation date. The DLOM was estimated based on the option-pricing method.

Round C

On September 24, 2021 and October 19, 2021, Ophyer Technology entered into agreements with two third-party investors to issue 203,032 new shares for a total cash consideration of RMB25,000,000. On September 29, 2021, and October 22, 2021, Ophyer Technology received respective cash consideration in full.

These two investors have the right to require Mr. Wang Lei or Ophyer Technology to jointly and severally purchase the shares of Ophyer Technology held by the investors if the investment agreement is terminated due to the provisions as follows:

- If Ophyer Technology fails to complete the listing procedures, or be acquired by a listed company before December 31, 2023, the investors can terminate the agreement;

- If Ophyer Technology and/or Mr. Wang Lei violate or fail to fulfill any of their commitments under the agreements, the investors may terminate the agreement;
- If any of the information provided by Ophyer Technology and/or Mr. Wang is false or inaccurate in a material aspect or with material omission, the investors can terminate the agreement accordingly.

The redemption price for the shares with preferred rights shall be 100% of the issue price plus 10% simple annual interest of the issue price commencing from the issue date.

As the shares with redemption rights are contingently redeemable when required by the investors under certain provisions, Ophyer Technology does not have an unconditional right to avoid delivering cash to the investors and the redemption price is solely payments of principal and interest, hence the shares with redemption rights do not meet the definition of equity and were initially recognized as other financial liabilities at amortized cost. On December 16, 2021, the Company issued 2,030,320 preferred shares to the two investors at nominal value to reflect their respective interests in Ophyer Technology.

On September 30, 2021 and October 8, 2021, the Company entered into an agreement with another third-party investor (together with the two investors above, “**Round C investors**”) to invest an amount equivalent to RMB2,483,000 in HKD or USD for 389,360 shares of the Company. On November 29, 2021, the Company received the cash consideration in full. According to the agreement, the investor has the rights to require the Company for the performance compensation and liquidation preference. In the event of any liquidation, including the transfer of material assets and the acquisition with change of control of the Company, all assets and funds of the Company legally available for distribution to the shareholders shall be distributed to the shareholders of the Company and the investor has the right to compensate up to the higher of the 120% of the issue price and the issue price plus 10% simple annual interest of the issue price commencing from the issue date. As the Company does not have an unconditional right to avoid delivering cash to the investor and the conversion feature is a derivative over own equity that will not be settled via delivery of fixed number of shares in exchange for fixed cash, hence the preferred shares do not meet the definition of equity and are initially designated as financial liabilities at FVTPL, including the performance compensation rights.

All the preferred shares were automatically converted into the Company's ordinary shares before the Company's application for the Listing on December 28, 2021, which resulted in the reclassification of the Round C investors' preferred shares. Other financial liabilities with the carrying amount of RMB25,515,000 and financial liabilities at FVTPL with the fair value amounting to RMB4,414,000 were reclassified to equity of the Company.

27. LEASE LIABILITIES

	As at December 31,			As at March 31,
	2019	2020	2021	2022
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
Non-current	—	167	2,744	1,969
Current	504	689	3,019	3,696
	<u>504</u>	<u>856</u>	<u>5,763</u>	<u>5,665</u>

Maturity analysis

	As at December 31,			As at March 31,
	2019	2020	2021	2022
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
Within one year	521	718	3,284	3,916
Within a period of more than one year but not exceeding two years	—	182	2,823	2,008
	<u>521</u>	<u>900</u>	<u>6,107</u>	<u>5,924</u>
Less: future finance charges	(17)	(44)	(344)	(259)
	<u>504</u>	<u>856</u>	<u>5,763</u>	<u>5,665</u>

The lease liabilities were measured at the present value of the lease payments that are not yet paid using incremental borrowing rates. The following table shows the weighted average incremental borrowing rates applied to lease liabilities:

	As at December 31,			As at March 31,
	2019	2020	2021	2022
	%	%	%	%
Incremental borrowing rates	<u>6.87</u>	<u>6.74</u>	<u>5.75</u>	<u>5.75</u>

28. BANK BORROWINGS

The analysis of the carrying amount of bank borrowings is as follows:

	As at December 31,			As at March 31,
	2019	2020	2021	2022
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
Bank borrowings payable within one year:				
Secured	10,000	25,000	9,300	20,000
Unsecured	7,000	13,667	13,000	19,500
	<u>17,000</u>	<u>38,667</u>	<u>22,300</u>	<u>39,500</u>

The carrying amount of the bank borrowings and the range of interest rates are as below:

	As at December 31,						As at March 31,	
	2019		2020		2021		2022	
	<i>RMB'000</i>	%	<i>RMB'000</i>	%	<i>RMB'000</i>	%	<i>RMB'000</i>	%
Fixed rate bank borrowings	7,000	5.66-5.94	28,667	3.85-12.24	22,300	4.69-6.50	29,500	3.85-5.1
Floating rate bank borrowing . . .	10,000	6.50	10,000	4.50	—	N/A	10,000	5.40
	<u>17,000</u>		<u>38,667</u>		<u>22,300</u>		<u>39,500</u>	

As at December 31, 2019, 2020 and 2021 and March 31, 2022, the bank borrowings amounting to RMB10,000,000, RMB25,000,000, RMB9,300,000 and RMB20,000,000 were pledged by trade receivables of the Group. The gross carrying amounts of these related trade receivables were RMB1,447,000, RMB13,469,000, RMB35,191,000 and RMB40,737,000, respectively.

The guarantee information of the bank borrowings is as below:

	As at December 31,			As at
	2019	2020	2021	March 31,
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
Guaranteed by:				
Third-party financial guarantee				
companies	12,000	23,000	6,000	1,500
Mr. Wang Lei	—	5,667	—	—
Mr. Wang Lei and Ms. Zhang Zimo				
(the wife of Mr. Wang Lei)	5,000	5,000	—	—
Mr. Wang Lei and third-party				
financial guarantee companies . . .	—	5,000	—	—
	<u>17,000</u>	<u>38,667</u>	<u>6,000</u>	<u>1,500</u>

The bank borrowings guaranteed by third-party financial guarantee companies amounting to RMB12,000,000, RMB13,000,000, and RMB6,000,000 as at December 31, 2019, 2020 and 2021 were counter guaranteed jointly by Mr. Wang Lei and Ms. Zhang Zimo. The bank borrowings guaranteed by third-party financial guarantee companies amounting to RMB10,000,000 as at December 31, 2020 were counter guaranteed by Mr. Wang Lei. The counter guarantees by Mr. Wang Lei and Ms. Zhang Zimo have been released during the three months ended March 31, 2022.

29. CONTRACT LIABILITIES

	As at December 31,			As at
	2019	2020	2021	March 31,
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
AR/VR marketing service business . . .	2,358	29,148	349	—
AR/VR content business	16,661	10,571	8,959	16,279
Sales of IPs.	—	4,717	—	—
AR/VR SaaS service	—	—	11,783	8,019
	<u>19,019</u>	<u>44,436</u>	<u>21,091</u>	<u>24,298</u>

Contract liabilities are expected to be settled within the Group's normal operating cycle and are classified as current.

During the years ended December 31, 2020 and 2021 and the three months ended March 31, 2022, the Group recognized revenue amounting to RMB19,019,000, RMB26,511,000 and RMB7,830,000, respectively, which relate to the contract liabilities balance at the beginning of the year.

There was no revenue recognized during the Track Record Period that related to performance obligations that were satisfied in prior years.

30. PAID-IN CAPITAL/SHARE CAPITAL

Combined capital of the Group

For the purpose of presentation of the consolidated statements of financial position before the completion of the Reorganization, the balances of share capital of the Group as at December 31, 2019 and 2020 represented the paid-in capital of Ophyer Technology.

Share capital of the Company

	Number of ordinary shares	Nominal value of ordinary shares	Equivalent nominal value of ordinary shares
		USD	RMB
Authorised:			
At June 24, 2021 (date of incorporation),			
December 31, 2021 and March 31,			
2022.....	5,000,000,000	50,000	318,785
Issued:			
At June 24, 2021 (date of incorporation) .	100,000	1	6
Issue of ordinary shares.....	116,017,810	1,160	7,404
At December 31, 2021 and March 31,			
2022.....	116,117,810	1,161	7,410

The Company was incorporated in the Cayman Islands as an exempted company with limited liability on June 24, 2021. The initial authorized share capital of the Company was USD50,000 divided into 5,000,000,000 shares with a par value of USD0.00001 each. Upon incorporation, one ordinary share was issued and allotted to an initial subscriber, who subsequently transferred such share to Wanglei Co., Ltd. at the subscription price of US\$0.00001 on the same date. The Company issued a total of additional 99,999 ordinary shares to Wanglei Co., Ltd. at the subscription price of US\$0.99999 on the same day.

On November 22, 2021 and December 16, 2021, 116,017,810 ordinary shares for a total consideration of USD1,160 equivalent to RMB7,404 were issued by the Company and allotted to the shareholders of Ophyer Technology or the holding entities wholly-owned or designated by such shareholders (as the case may be) to reflect their respective equity interest in Ophyer Technology and the Company before the completion of the Group Reorganization. The shares are issued but not fully paid as at March 31, 2022 and have been fully paid prior to the Listing.

31. RESERVES

The amounts of the Group's reserves and the movements therein for each of the reporting periods are presented in the consolidated statements of changes in equity.

The principal reserves of the Group consist of the following:

Capital reserve

Capital reserve at December 31, 2019 and 2020 represented capital reserve of Ophyer Technology.

The change of capital reserve during the year ended December 31, 2021 are mainly due to the termination of the preferred rights of shares as disclosed in Note 26.

Other reserve

Other reserve at December 31, 2021 and March 31, 2022 represented the difference between the equity and the fair value of financial liabilities in relation to the modification of the Round B shares, the termination of preferred rights of shares and conversion of preferred shares related to the Group which are set out in Note 26, and the transfer of reserves upon completion of the Reorganization as disclosed in Note 2.

Statutory reserve

Pursuant to the relevant PRC rules and regulations, Ophyer Technology, which is incorporated in the PRC, is required to transfer no less than 10% of its profits after taxation, after offsetting any prior years' loss as determined under the Chinese Company Law, to the statutory reserve until the reserve balance reaches 50% of the registered capital. The transfer to this reserve must be made before the distribution of dividends to shareholders of Ophyer Technology.

Reserves of the Company

	Capital reserve	Other reserve	Accumulated losses	Total
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
At June 24, 2021 (date of incorporation)	—	—	—	—
Loss and total comprehensive expense from the date of incorporation to December 31, 2021	—	—	(14,225)	(14,225)
Termination of preferred rights of the shares related to the Group (Note 26)	27,480	2,448	—	29,928
At December 31, 2021	27,480	2,448	(14,225)	15,703
Loss and total comprehensive expense for the period.	—	—	(2,082)	(2,082)
At March 31, 2022	27,480	2,448	(16,307)	13,621

32. CAPITAL RISK MANAGEMENT

The Group manages its capital to ensure that entities in the Group will be able to continue as a going concern with maximizing the return to shareholders through the optimization of the debt and equity balance. The Group's overall strategy remains unchanged during the Track Record Period.

The capital structure of the Group consists of net debt, which includes financial liabilities at FVTPL, lease liabilities and bank borrowings disclosed in Notes 26, 27, and 28 respectively, net of bank balances and cash, and total equity of the Group, comprising paid-in capital, share capital, retained earnings and reserves as disclosed in Notes 30 and 31 respectively.

The management of the Group reviews the capital structure on a regular basis. As part of this review, the management considers the cost of capital and the risks associated with the capital. Based on recommendations of the management, the Group will balance its overall capital structure through raising of new capital, issue of new debt or the redemption of the existing debts.

33. FINANCIAL INSTRUMENTS

Categories of financial instruments

The Group

	As at December 31,			As at March 31,
	2019	2020	2021	2022
	RMB'000	RMB'000	RMB'000	RMB'000
Financial assets				
Financial assets at amortized cost	125,901	244,205	376,763	397,053

	As at December 31,			As at March 31,
	2019	2020	2021	2022
	RMB'000	RMB'000	RMB'000	RMB'000
Financial liabilities				
Financial liabilities at amortized cost .	62,386	85,864	72,908	101,487
Financial liabilities at FVTPL	—	48,357	—	—

The Company

	As at December 31,	As at March 31,
	2021	2022
	RMB'000	RMB'000
Financial assets		
Financial assets at amortized cost	2,482	2,392

	As at December 31,	As at March 31,
	2021	2022
	RMB'000	RMB'000
Financial liabilities		
Financial liabilities at amortized cost	16,364	20,815

Financial risk management objectives and policies

The Group's activities expose it to a variety of financial risks, such as market risk (including interest rate risk and other price risk), credit risk and liquidity risk. The Group's overall risk management program focuses on the unpredictability of financial markets and seeks to minimize potential adverse effects on the Group's financial performance. Risk management is carried out by the Directors.

The Group's financial instruments consisted of trade and other receivables and deposits, loan receivables, bank balances and cash, trade and other payables, bank borrowings and financial liabilities at FVTPL. The Company's financial instruments consisted of amounts due from shareholders, bank balances and cash, and amounts due to subsidiaries. Details of the financial instruments are disclosed in respective notes. The policies on how to mitigate these risks are set out below. The management of the Group manages and monitors these exposures to ensure appropriate measures are implemented on a timely and effective manner.

(i) Market risk

The Group's activities expose it primarily to the financial risks of interest rates and other price risk.

There has been no change to the Group's exposure to market risks or the manner in which it manages and measures the risk during the reporting period.

Interest rate risk management

The Group is exposed to fair value interest rate risk in relation to fixed-rate loan receivables, fixed-rate bank borrowings, lease liabilities and financial liabilities at FVTPL. The Group and the Company are also exposed to cash flow interest rate risk in relation to variable-rate bank balances and variable-rate bank borrowings due to the fluctuation of the prevailing market interest rate on bank deposits and bank borrowings carried at prevailing market interest rates based on or by reference to Loan Prime Rate.

The Group and the Company currently do not have interest rate hedging policy. However, management will consider hedging significant interest rate exposure should the need arise.

Sensitivity analysis

The sensitivity analyses below have been determined based on the exposure to interest rates for bank borrowings at variable rate at the end of each reporting period. The analysis is prepared assuming the financial instruments outstanding at the end of each reporting period were outstanding for the whole year. The bank balances are excluded from the sensitivity analysis as the management considers that the interest rate fluctuating is insignificant.

If variable rate bank borrowings had been 50 basis points higher/lower and all other variables were held constant, the Group's post-tax profit for the year/period would decrease/increase by approximately RMB43,000, RMB42,000, RMB Nil and RMB9,000 for the years ended December 31, 2019, 2020 and 2021 and the three months ended March 31, 2022.

Currency risk

The Group and the Company have USD and HKD bank balances which expose the Group and the Company to foreign currency risk.

Sensitivity analysis

The management of the Group and the Company considers that any reasonably possible change in the RMB against the USD and HKD will not cause significant change to the fair value of the financial assets.

Other price risk

The Group is exposed to price risk in respect of its shares with preferred rights and preferred shares measured as financial liabilities at FVTPL, fair value of which are affected by changes in the Group's equity value, the sensitivity analysis of which has been disclosed in the section headed "Fair value measurement of financial instruments" in Note 33.

(ii) Credit risk and impairment assessment

At the end of each reporting period, the Group's and the Company's maximum exposure to credit risk which will cause a financial loss to the Group and the Company is due to failure to discharge an obligation by the counterparties. The Group's credit risk is mainly associated with bank balances, trade and other receivables and deposits, and loan receivables. The Company's credit risk is mainly associated with bank balances, and amounts due from shareholders.

The Group mainly conducted transactions with customers with good quality and long term relationship, when accepting new customers, the Group considers the reputation of the customer before contract is signed. In order to minimize the credit risk, the management of the Group continuously monitors the credit quality and financial conditions of the debtors to ensure that follow-up action is taken to recover overdue debts.

To manage risk arising from receivable balances, the Group has policies in place to ensure that credit terms are made to counterparties with an appropriate credit history and the management performs ongoing credit evaluations of its counterparties. The credit period granted to the customers and the credit quality of these customers is assessed, which takes into account their financial position, past experience and other factors.

The Group has concentration of credit risk as 11.8%, 9.8%, 16.2% and 16.5% of the total trade receivables were due from the Group's largest debtor as of December 31, 2019, 2020 and 2021 and March 31, 2022, 47.8%, 29.4%, 43.9% and 38.4% of the total trade receivables were due from the Group's five largest debtors as of December 31, 2019, 2020 and 2021 and March 31, 2022, respectively.

Trade receivables arising from contracts with customers

The Group reassesses lifetime ECL for trade receivables arising from contracts with customers to ensure that adequate impairment loss are made for significant increase in the likelihood or risk of a default occurring. The ECL on these assets are individually assessed for debtors with significant increases in credit risk or credit-impaired and collectively assessed based on internal credit ratings for the remaining balance. As part of the Group's credit risk management, the Group uses internal credit ratings to assess with the impairment for its customers because these customers consist of a large number of customers which share common risk characteristics that are representative of the customers' abilities to pay all amounts due in accordance with the contractual terms. The estimated loss rates are estimated on historical observed default rates over the expected life of the debtors and are adjusted for forward-looking information that is available without undue cost or effort. The grouping and assessment are regularly reviewed by management to ensure relevant information about specific debtors is updated.

Loan receivables and other receivables and deposits

Before granting the loan receivables, the management of the Group has obtained an understanding of the credit background of the debtors and undertaken an internal credit approval process. The management of the Group has taken into account the economic outlook of the

industries in which the debtors operate and reviewed the recoverable amount of each loan receivable at the end of the reporting period to ensure that adequate impairment loss was recognized for irrecoverable debts.

For all other instruments including other receivables and deposits, and loan receivables, the Group measures the loss allowance equal to 12m ECL, unless when there has been a significant increase in credit risk since initial recognition, the Group recognizes lifetime ECL.

Bank balances

The Group and the Company mainly transact with banks with high credit ratings. The credit risk for bank balances as at December 31, 2019, 2020 and 2021 and March 31, 2022 was considered as immaterial as such amounts were placed in reputable banks. The Group and the Company assessed 12m ECL on these balances by reference to probability of default and loss given default and concluded that the expected credit losses were insignificant as at December 31, 2019, 2020 and 2021 and March 31, 2022 and thus no impairment loss was recognized.

The tables below detail the credit risk exposures of the Group's and the Company's financial assets, which are subject to ECL assessment:

The Group

December 31, 2019	Notes	External rating credit	Internal rating credit	12m or lifetime ECL	Average loss rate	Gross carrying amount
<i>RMB'000</i>						
Financial assets at amortised costs						
Trade receivables — goods and services. . .	21	N/A	(Note a)	Lifetime ECL (not credit impaired and assessed collectively)	2.0%	83,033
				Lifetime ECL (not credit impaired and assessed individually)	20.0%	19,191
Loan receivables. . . .	20	N/A	(Note b)	12m ECL (not credit impaired and assessed individually)	1.4%	17,511
Other receivables and deposits.	21	N/A	(Note b)	12m ECL (not credit impaired and assessed individually)	21.9%	269
				Lifetime ECL (credit impaired and assessed individually)	100.0%	519
Bank balances.	24	AAA	—	12m ECL (not credit impaired and assessed individually)	—	11,705

APPENDIX I

ACCOUNTANTS' REPORT

December 31, 2020	Notes	External rating credit	Internal rating credit	12m or lifetime ECL	Average loss rate	Gross carrying amount
<i>RMB'000</i>						
Financial assets at amortised costs						
Trade receivables — goods and services.	21	N/A	(Note a)	Lifetime ECL (not credit impaired and assessed collectively)	2.5%	135,990
				Lifetime ECL (not credit impaired and assessed individually)	20.0%	4,606
				Lifetime ECL (credit impaired and assessed individually)	50.0%	7,023
Other receivables and deposits.	21	N/A	(Note b)	12m ECL (not credit impaired and assessed individually)	12.0%	492
				Lifetime ECL (credit impaired and assessed individually)	100.0%	519
Bank balances.	24	AAA	—	12m ECL (not credit impaired and assessed individually)	—	104,017

December 31, 2021	Notes	External rating credit	Internal rating credit	12m or lifetime ECL	Average loss rate	Gross carrying amount
<i>RMB'000</i>						
Financial assets at amortised costs						
Trade receivables — goods and services.	21	N/A	(Note a)	Lifetime ECL (not credit impaired and assessed collectively)	1.6%	150,167
				Lifetime ECL (not credit impaired and assessed individually)	20.0%	17,589
				Lifetime ECL (credit impaired and assessed individually)	100.0%	1,100
Other receivables and deposits.	21	N/A	(Note b)	12m ECL (not credit impaired and assessed individually)	8.7%	687
				Lifetime ECL (credit impaired and assessed individually)	100.0%	519
Bank balances.	24	AAA	—	12m ECL (not credit impaired and assessed individually)	—	214,279

APPENDIX I

ACCOUNTANTS' REPORT

March 31, 2022	Notes	External rating credit	Internal rating credit	12m or lifetime ECL	Average loss rate	Gross carrying amount
RMB'000						
Financial assets at amortised costs						
Trade receivables — goods and services.	21	N/A	(Note a)	Lifetime ECL (not credit impaired and assessed collectively)	2.4%	188,480
				Lifetime ECL (not credit impaired and assessed individually)	20.0%	11,699
				Lifetime ECL (credit impaired and assessed individually)	55.3%	10,344
Other receivables and deposits.	21	N/A	(Note b)	12m ECL (not credit impaired and assessed individually)	6.6%	899
				Lifetime ECL (credit impaired and assessed individually)	100.0%	519
Bank balances.	24	AAA	—	12m ECL (not credit impaired and assessed individually)	—	198,315

The Company

December 31, 2021	Notes	External rating credit	Internal rating credit	12m ECL or lifetime ECL	Average loss rate	Gross carrying amount
RMB'000						
Amounts due from shareholders.	21	N/A	(Note b)	12m ECL (not credit impaired and assessed individually)	—	7
Bank balances.	24	AAA	—	12m ECL (not credit impaired and assessed individually)	—	2,475

March 31, 2022	Notes	External rating credit	Internal rating credit	12m ECL or lifetime ECL	Average loss rate	Gross carrying amount
RMB'000						
Amounts due from shareholders.	21	N/A	(Note b)	12m ECL (not credit impaired and assessed individually)	—	7
Bank balances.	24	AAA	—	12m ECL (not credit impaired and assessed individually)	—	2,385

Notes:

- a. For trade receivables, the Group has applied the simplified approach in IFRS 9 to measure the loss allowance at lifetime ECL. Except for receivables for debtors with significant increases in credit risk or credit-impaired, the Group determines the expected credit losses on these items grouped by internal credit ratings.

The Group's internal credit risk grading assessment for trade receivables comprises the following categories:

- Low risk (Lifetime ECL — not credit impaired): The counterparty has a low risk of default and does not have material past-due amounts.
 - Watch list (Lifetime ECL — not credit impaired): Debtors repays after due dates but usually settle in full without negative external information.
 - Doubtful (Lifetime ECL — not credit impaired): There have been significant increases in credit risk since initial recognition through information developed internally or external resources.
 - Credit impaired (Lifetime ECL — credit impaired): There is evidence indicating the asset is credit impaired.
 - Write-off (Amount is written off): There is evidence indicating that the debtor is in severe financial difficulty and the Group has no realistic prospect of recovery.
- b. For loan receivables, other receivables, and bank balances, except for balances which are credit-impaired, the Group and the Company have applied the 12m ECL, unless when there has been a significant increase in credit risk since initial recognition, the Group recognizes lifetime ECL.

The following table provides information about the exposure to credit risk for trade receivables which are assessed collectively based on internal credit ratings as at December 31, 2019, 2020 and 2021 and March 31, 2022 within lifetime ECL.

At December 31, 2019			
	Average loss rate	Gross carrying amount	Impairment loss allowance
		RMB'000	RMB'000
Trade receivables			
Low risk	1.28%	63,697	817
Watch list	4.38%	19,336	847
		<u>83,033</u>	<u>1,664</u>

At December 31, 2020			
	Average loss rate	Gross carrying amount	Impairment loss allowance
		RMB'000	RMB'000
Trade receivables			
Low risk	1.15%	85,042	981
Watch list	4.81%	50,948	2,451
		135,990	3,432

At December 31, 2021			
	Average loss rate	Gross carrying amount	Impairment loss allowance
		RMB'000	RMB'000
Trade receivables			
Low risk	1.20%	138,433	1,657
Watch list	6.18%	11,734	725
		150,167	2,382

At March 31, 2022			
	Average loss rate	Gross carrying amount	Impairment loss allowance
		RMB'000	RMB'000
Trade receivables			
Low risk	1.20%	142,198	1,702
Watch list	6.18%	46,282	2,861
		188,480	4,563

In addition, debtors not credit impaired with gross carrying amount of RMB19,191,000, RMB4,606,000, RMB17,589,000 and RMB11,699,000 as at December 31, 2019, 2020 and 2021 and March 31, 2022, respectively, were assessed individually. The impairment allowance of RMB3,838,000, RMB921,000, RMB3,518,000 and RMB2,340,000 were made on these debtors as at December 31, 2019, 2020 and 2021 and March 31, 2022, respectively.

Debtors credit impaired with gross carrying amount of RMB Nil, RMB7,023,000, RMB1,100,000 and RMB10,344,000 as at December 31, 2019, 2020 and 2021 and March 31, 2022 were assessed individually. The impairment allowance of RMB Nil, RMB3,511,000, RMB1,100,000 and RMB5,722,000 were made on these debtors as at December 31, 2019, 2020 and 2021 and March 31, 2022, respectively.

The following table shows the movements in lifetime ECL that have been recognized for trade receivables under the simplified approach.

	Lifetime ECL (not credit impaired)	Lifetime ECL (credit impaired)	Total
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
As at January 1, 2019	2,921	7	2,928
Changes due to financial instruments recognized as at January 1, 2019:			
— Impairment losses reversed	(1,878)	(7)	(1,885)
— Impairment losses recognized	3,144	—	3,144
New financial assets originated	1,315	—	1,315
As at December 31, 2019	5,502	—	5,502
Changes due to financial instruments recognized as at January 1, 2020:			
— Impairment losses reversed	(4,993)	—	(4,993)
— Impairment losses recognized	1,278	3,511	4,789
New financial assets originated	2,566	—	2,566
As at December 31, 2020	4,353	3,511	7,864
Changes due to financial instruments recognized as at January 1, 2021:			
— Impairment losses reversed	(3,424)	(2,961)	(6,385)
— Impairment losses recognized	817	550	1,367
New financial assets originated	4,154	—	4,154
As at December 31, 2021	5,900	1,100	7,000
Changes due to financial instruments recognized as at January 1, 2022:			
— Transfer to credit-impaired	(1,849)	1,849	—
— Impairment losses reversed	(936)	—	(936)
— Impairment losses recognized	3,069	2,773	5,842
New financial assets originated	719	—	719
As at March 31, 2022	6,903	5,722	12,625
Unaudited			
As at December 31, 2020	4,353	3,511	7,864
Changes due to financial instruments recognized as at January 1, 2021:			
— Impairment losses reversed	(1,523)	—	(1,523)
— Impairment losses recognized	3,029	601	3,630
New financial assets originated	609	—	609
As at March 31, 2021	6,468	4,112	10,580

The following table shows the reconciliation of loss allowance that has been recognized for loan receivables and other receivables and deposits.

	12m ECL	Lifetime ECL (not credit impaired)	Lifetime ECL (credit impaired)	Total
	RMB'000	RMB'000	RMB'000	RMB'000
As at January 1, 2019	3	—	—	3
Changes due to financial instruments recognized as at January 1, 2019:				
— Impairment losses recognized . . .	2	—	519	521
New financial assets originated	301	—	—	301
As at December 31, 2019	306	—	519	825
Changes due to financial instruments recognized as at January 1, 2020:				
— Impairment losses reversed	(247)	—	—	(247)
As at December 31, 2020 and 2021, March 31, 2021 (unaudited) and 2022	59	—	519	578

(iii) Liquidity risk management

In the management of liquidity risk, the Group's and the Company's management monitors and maintains a level of cash and cash equivalents deemed adequate by management to finance the Group's and the Company's operations and mitigate the effects of unexpected fluctuations in cash flows.

The following tables detail the Group's remaining contractual maturity for its financial liabilities and lease liabilities and the Company's remaining contractual maturity for its financial liabilities. The tables have been drawn up based on the undiscounted cash flows of financial liabilities and lease liabilities based on the earliest date on which the Group can be required to pay. The tables include both interest and principal cash flows. To the extent that interest flows are floating rate, the undiscounted amount is derived based on the interest rate outstanding at the end of each of the reporting periods.

THE GROUP

	Weighted average interest rate	On demand/less than 1 year	More than 1 year but less than 2 years	More than 2 years but less than 5 years	Total undiscounted cash flows	Carrying amounts
	%	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
At December 31, 2019						
Financial liabilities						
Bank borrowings	5.66–6.50	17,197	—	—	17,197	17,000
Trade and other payables . .	N/A	45,386	—	—	45,386	45,386
		<u>62,583</u>	<u>—</u>	<u>—</u>	<u>62,583</u>	<u>62,386</u>
Lease liabilities	6.87	<u>521</u>	<u>—</u>	<u>—</u>	<u>521</u>	<u>504</u>
At December 31, 2020						
Financial liabilities						
Bank borrowings	3.85–12.24	38,856	—	—	38,856	38,667
Trade and other payables . .	N/A	47,197	—	—	47,197	47,197
Financial liabilities at FVTPL	8–12	<u>51,035</u>	<u>—</u>	<u>—</u>	<u>51,035</u>	<u>48,357</u>
		<u>137,088</u>	<u>—</u>	<u>—</u>	<u>137,088</u>	<u>134,221</u>
Lease liabilities	6.74	<u>718</u>	<u>182</u>	<u>—</u>	<u>900</u>	<u>856</u>
At December 31, 2021						
Financial liabilities						
Bank borrowings	4.69–6.50	23,504	—	—	23,504	22,300
Trade and other payables . .	N/A	50,608	—	—	50,608	50,608
		<u>74,112</u>	<u>—</u>	<u>—</u>	<u>74,112</u>	<u>72,908</u>
Lease liabilities	5.75	<u>3,284</u>	<u>2,823</u>	<u>—</u>	<u>6,107</u>	<u>5,763</u>
At March 31, 2022						
Financial liabilities						
Bank borrowings	3.85–5.40	41,491	—	—	41,491	39,500
Trade and other payables . .	N/A	61,987	—	—	61,987	61,987
		<u>103,478</u>	<u>—</u>	<u>—</u>	<u>103,478</u>	<u>101,487</u>
Lease liabilities	5.75	<u>3,916</u>	<u>2,008</u>	<u>—</u>	<u>5,924</u>	<u>5,665</u>

THE COMPANY

	Weighted average interest rate	On demand/less than 1 year	More than 1 year but less than 2 years	More than 2 years but less than 5 years	Total undiscounted cash flows	Carrying amounts
	%	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
At December 31, 2021						
Financial liabilities						
Amounts due to						
subsidiaries	N/A	16,364	—	—	16,364	16,364

	Weighted average interest rate	On demand/less than 1 year	More than 1 year but less than 2 years	More than 2 years but less than 5 years	Total undiscounted cash flows	Carrying amounts
	%	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
At March 31, 2022						
Financial liabilities						
Amounts due to						
subsidiaries	N/A	20,815	—	—	20,815	20,815

Fair value measurement of financial instruments*Determination of fair value and fair value hierarchy*

IFRS 13 *Fair Value Measurement* defines fair value as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. When determining the fair value measurement for assets and liabilities required or permitted to be recorded at fair value, the Group considers the principal or most advantageous market in which it would transact and it considers assumptions that market participants would use when pricing the asset or liability.

Accounting guidance establishes a fair value hierarchy that requires an entity to maximize the use of observable inputs and minimize the use of unobservable inputs when measuring fair value. A financial instrument's categorization within the fair value hierarchy is based upon the lowest level of input that is significant to the fair value measurement. Accounting guidance establishes three levels of inputs that may be used to measure fair value.

For Level 3 financial instruments, prices are determined using valuation methodologies such as discounted cash flow models and other similar techniques. Determinations to classify fair value measurement within Level 3 of the valuation hierarchy are generally based on the significance of the unobservable factors to the overall fair value measurement. The Group's shares with preferred rights and preferred shares are measured at fair value during the Track Record Period and categorized into Level 3 due to the unobservable significant inputs for the fair value measurements, and the determination of the fair value of which (in particular, the valuation techniques and inputs used) is set out in Note 26.

Fair value of the shares with preferred rights and preferred shares are significantly affected by changes in the Company's equity value. If the Company's equity value had increased/decreased by 5% with all other variables held constant, the post-tax profit for the year ended December 31, 2020 and 2021 would have been approximately RMB6,418,000 and RMB6,428,000 lower/higher, respectively.

For liabilities that are measured at fair value on a recurring basis, the Group determines whether transfers have occurred between levels in the hierarchy by reassessing categorization (based on the lowest level input that is significant to the fair value measurement as a whole) at each reporting end. During the Track Record Period, there were no transfers among different levels of fair values measurement.

Reconciliation of Level 3 fair value measurements:

	Shares with preferred rights and preferred shares
	<i>RMB'000</i>
At January 1, 2020	—
Additions	47,000
Changes in fair value	1,357
At December 31, 2020	48,357
Additions	100,480
Reclassified from equity to financial liabilities at FVTPL	15,719
Changes in fair value	21,075
Termination of preferred rights of the shares and conversion of preferred shares (<i>Note 26</i>)	(185,631)
At December 31, 2021 and March 31, 2022	—

For the financial assets and financial liabilities that are not measured at fair value on a recurring basis, the management of the Group considers that the carrying amounts of financial assets and financial liabilities recorded at amortized cost in the Historical Financial Information approximate their fair values.

34. RETIREMENT BENEFIT SCHEME

The employees of the Group are members of a state-managed retirement benefits scheme operated by the PRC Government. The Group is required to contribute a specific percentage of the total monthly basic salaries of its current employees to the retirement benefits scheme to fund the benefits. The only obligation of the Group with respect to the retirement benefits scheme is to make the specified contributions.

The total cost charged to the consolidated statements of profit or loss and other comprehensive income of approximately RMB1,019,000, RMB84,000, RMB2,938,000, RMB588,000 (unaudited) and RMB799,000 for the years ended December 31, 2019, 2020 and 2021, and the three months ended March 31, 2021 and 2022, respectively, represented contributions paid and/or payable to the scheme by the Group for the reporting periods.

35. RELATED PARTY TRANSACTIONS

During the years ended December 31, 2019, 2020 and 2021 and the three months ended March 31, 2021 and 2022, the Group entered into transactions with following related parties:

Name of the related parties	Relationship with the Company
Mr. Wang Lei	A Controlling shareholder, an executive Director, the chairman of the Board and the chief executive officer of the Company
Ms. Zhang Zimo	The wife of Mr. Wang Lei

(a) Guarantees to bank borrowings by related parties

Details of guarantees to bank borrowings by related parties are set out in Note 28.

(b) Advances from a related party

During the year ended December 31, 2020, Mr. Wang Lei made cash advances to the Group amounting to RMB9,300,000, which were interest-free, unsecured, repayable on demand and fully repaid by the Group before December 31, 2020. The maximum amount outstanding during the year ended December 31, 2020 in respect of these advances were RMB4,800,000.

(c) Compensation of key management personnel

	Year ended December 31,			Three months ended March 31,	
	2019	2020	2021	2021	2022
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
				(Unaudited)	
Salaries and other benefits.	1,443	1,917	2,874	640	756
Contributions to retirement benefits scheme	264	23	379	78	105
Discretionary bonus	629	901	1,330	304	354
	<u>2,336</u>	<u>2,841</u>	<u>4,583</u>	<u>1,022</u>	<u>1,215</u>

(d) Balances with related parties

	As at December 31, 2021 and March 31, 2022
	<i>RMB'000</i>
Amounts due from shareholders	<u>7</u>

The amounts due from shareholders of RMB7,000 as of December 31, 2021 and March 31, 2022 were unsecured, interest-free, repayable on demand, non-trade in nature and have been settled prior to the Listing. The maximum amount outstanding during the year ended December 31, 2021 and the three months ended March 31, 2022 in respect of this balance was RMB7,000.

36. RECONCILIATION OF LIABILITIES ARISING FROM FINANCING ACTIVITIES

The table below details changes in the Group's liabilities arising from financing activities, including both cash and non-cash changes. Liabilities arising from financing activities are those for which cash flows were, or future cash flows will be, classified in the Group's statements of cash flows as cash flows from financing activities.

APPENDIX I
ACCOUNTANTS' REPORT

	Bank borrowings	Lease liabilities	Financial liabilities at FVTPL	Other financial liabilities	Accrued share issue costs	Total
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
At January 1, 2019	9,000	1,463	—	—	—	10,463
Financing cash flows	7,028	(1,043)	—	—	—	5,985
Finance costs.	972	84	—	—	—	1,056
At December 31, 2019	17,000	504	—	—	—	17,504
Increase of lease liabilities . .	—	1,185	—	—	—	1,185
Financing cash flows	19,781	(867)	47,000	—	—	65,914
Finance costs.	1,886	34	—	—	—	1,920
Fair value changes on financial liabilities designated as at FVTPL. . .	—	—	1,357	—	—	1,357
At December 31, 2020	38,667	856	48,357	—	—	87,880
Increase of lease liabilities . .	—	8,279	—	—	—	8,279
Accrued share issue costs . . .	—	—	—	—	3,645	3,645
Financing cash flows	(17,916)	(3,665)	100,480	25,000	(1,219)	102,680
Finance costs.	1,549	293	—	515	—	2,357
Fair value changes on financial liabilities designated as at FVTPL. . .	—	—	21,075	—	—	21,075
Reclassified from equity to financial liabilities at FVTPL	—	—	15,719	—	—	15,719
Reclassified from financial liabilities to equity.	—	—	(185,631)	(25,515)	—	(211,146)
At December 31, 2021	22,300	5,763	—	—	2,426	30,489
Accrued share issue costs . . .	—	—	—	—	1,201	1,201
Financing cash flows	16,731	(181)	—	—	(3,417)	13,133
Finance costs.	469	83	—	—	—	552
At March 31, 2022	39,500	5,665	—	—	210	45,375
Unaudited						
At December 31, 2020	38,667	856	48,357	—	—	87,880
Financing cash flows	(1,356)	(173)	23,000	—	—	21,471
Finance costs.	489	14	—	—	—	503
Fair value changes on financial liabilities designated as at FVTPL. . .	—	—	8,700	—	—	8,700
At March 31, 2021	37,800	697	80,057	—	—	118,554

37. PARTICULARS OF SUBSIDIARIES OF THE COMPANY

At the date of this report, the Company has direct and indirect interests in the following subsidiaries, particulars of which are set out below:

Name of subsidiaries	Legal form	Place and date of establishment/ incorporation and operation	Issued capital/paid up registered capital	Proportion of interest and voting power held by the Group					Principal activities
				As at December 31,			As at March 31,	At the date of this report	
				2019	2020	2021	2022		
				%	%	%	%	%	
Directly held:									
FTYD Ltd.	Limited liability company	BVI July 19, 2021	USD100	N/A	N/A	100%	100%	100%	Investment holding
Indirectly held:									
Flowing Cloud Technology (HK) Limited	Limited liability company	Hong Kong August 10, 2021	HKD10,000	N/A	N/A	100%	100%	100%	Investment holding
北京飛天雲動科技有限公司 Beijing Flowing Cloud Technology Co., Ltd. ⁽ⁱ⁾	Wholly-foreign owned enterprise	PRC November 17, 2021	RMB50,000,000	N/A	N/A	100%	100%	100%	Investment holding
北京飛天雲動數字技術有限公司 Beijing Flowing Cloud Digital Technology Co., Ltd. ⁽ⁱ⁾	Limited liability company	PRC August 18, 2022	RMB50,000,000	N/A	N/A	N/A	N/A	100%	Not yet commence business
Consolidated Affiliated Entities:									
北京掌中飛天科技股份有限公司 Beijing Ophyer Technology Shares Co., Ltd (formerly known as 北京恒創兆業科技有限公司 (Beijing Hengchuang Zhaoye Technology Co., Ltd) and 北京掌中飛天科技有限公司 (Beijing Ophyer Technology Co., Ltd)) ⁽ⁱ⁾	Joint stock limited liability company	PRC March 19, 2008	RMB11,572,845	100%	100%	100%	100%	100%	AR/VR marketing services, AR/VR content, AR/VR SaaS, IP and others
北京琥珀金源傳媒有限公司 Beijing Hupo Jinyuan Media Co., Ltd ⁽ⁱ⁾	Limited liability company	PRC March 29, 2011	RMB10,000,000	100%	100%	100%	100%	100%	Promotion services
霍爾果斯石心網絡科技有限公司 Horgos Core Network Technology Co., Ltd ^{(i) (ii)}	Limited liability company	PRC February 9, 2017	RMB10,000,000	100%	100%	N/A	N/A	N/A	Online game products and the relevant services

		Place and date of establishment/ incorporation and operation	Issued capital/paid up registered capital	Proportion of interest and voting power held by the Group					Principal activities
Name of subsidiaries	Legal form			As at December 31,			As at March 31,	At the date of this report	
				2019	2020	2021	2022		
				%	%	%	%	%	
南陽掌中飛天科技有限公司 Ophyer Technology Co., Ltd ^{(i) (ii)}	Limited liability company	PRC September 29, 2017	RMB1,000,000	100%	100%	N/A	N/A	N/A	AR/VR content, product research and development
中潤星(北京)文化傳媒有限公司 Zhongrunxing (Beijing) Culture Media Co., Ltd ⁽ⁱ⁾	Limited liability company	PRC November 13, 2017	RMB3,000,000	100%	100%	100%	100%	100%	Promotion services
喀什繁星信息科技有限公司 Kashi Fanxing Information Technology Co., Ltd ^{(i) (ii)}	Limited liability company	PRC May 9, 2018	RMB1,000,000	100%	100%	N/A	N/A	N/A	Not yet commence business
上海橙享星視信息科技有限公司 Shanghai Chengxiang Xingshi Information Technology Co., Ltd ^{(i) (ii)}	Limited liability company	PRC February 14, 2020	RMB1,000,000	N/A	70%	N/A	N/A	N/A	Not yet commence business
北京星矢互動傳媒科技有限公司 Beijing Xingshi Hudong Media Technology Co., Ltd ⁽ⁱ⁾	Limited liability company	PRC April 10, 2020	RMB10,000,000	N/A	70%	70%	70%	70%	Text message services
合肥星橙智享科技有限公司 Xingcheng Zhixiang Technology Co., Ltd ^{(i) (ii)}	Limited liability company	PRC April 20, 2020	RMB1,000,000	N/A	100%	N/A	N/A	N/A	Not yet commence business
深圳市華創雲景科技有限公司 Shenzhen Huachuang Yunjing Technology Co., Ltd ⁽ⁱ⁾	Limited liability company	PRC January 12, 2021	RMB40,000,000	N/A	N/A	100%	100%	100%	Not yet commence business

(i) The English translation of the names is for reference only. The official names of these entities are in Chinese.

Ophyer Technology, a joint stock limited liability company, was listed on the National Equities Exchange and Quotations (“NEEQ”) in the PRC from July 14, 2017 to August 27, 2019.

No audited financial statements of other subsidiaries of the Company have been prepared since there are no statutory audit requirements in those jurisdiction during the Track Record Period.

None of the subsidiaries had issued any debt securities at the end of each reporting periods, except for the financial liabilities at FVTPL, and bank borrowings as disclosed in Note 26 and Note 28, respectively.

(ii) Shanghai Chengxiang Xingshi Information Technology Co., Ltd. completed deregistration on July 29, 2021.

Kashi Fanxing Information Technology Co., Ltd. completed deregistration on August 9, 2021.

Horgos Core Network Technology Co., Ltd. completed deregistration on September 16, 2021.

Nanyang Ophyer Technology Co., Ltd. completed deregistration on October 29, 2021.

Hefei Xingcheng Zhixiang Technology Co., Ltd. completed deregistration on December 21, 2021.

38. EVENT AFTER THE REPORTING PERIOD

The total of 1,422,382,190 ordinary shares will be allotted and issued to shareholders of the Company on the register of members of the Company at the close of business on the date immediately preceding the date on which the Listing becomes unconditional in proportion to their respective shareholdings in the Company. The credit of the share premium of the Company on the share premium account of the Company will be credited as fully paid as a result of the Listing under the capitalization issue, details of which are set out in Appendix IV to the Prospectus.

39. SUBSEQUENT FINANCIAL STATEMENTS

No audited financial statements of the Group, the Company or any of the subsidiaries have been prepared in respect of any period subsequent to March 31, 2022.

APPENDIX II UNAUDITED PRO FORMA FINANCIAL INFORMATION

The information set out in this Appendix does not form part of the Accountants' Report on the historical financial information of the Group for the Track Record Period prepared by Deloitte Touche Tohmatsu, Certified Public Accountants, Hong Kong, the Reporting Accountants of our Company, as set out in Appendix I to this prospectus, and is included in this prospectus for information only. The unaudited pro forma financial information should be read in conjunction with the section headed "Financial Information" in this prospectus and the Accountants' Report set out in Appendix I to this prospectus.

A. UNAUDITED PRO FORMA STATEMENT OF ADJUSTED CONSOLIDATED NET TANGIBLE ASSETS OF THE GROUP ATTRIBUTABLE TO OWNERS OF THE COMPANY

The unaudited pro forma statement of adjusted consolidated net tangible assets of the Group attributable to owners of the Company prepared in accordance with paragraph 4.29(1) of the Listing Rules is set out below to illustrate the effect of the Global Offering on the audited consolidated net tangible assets of the Group attributable to owners of the Company as at March 31, 2022 as if the Global Offering had taken place on that date.

The unaudited pro forma statement of adjusted consolidated net tangible assets of the Group attributable to owners of the Company has been prepared for illustrative purposes only and, because of its hypothetical nature, may not give a true picture of the consolidated net tangible assets of the Group attributable to owners of the Company as at March 31, 2022 or any future dates following the Global Offering.

The following unaudited pro forma statement of adjusted consolidated net tangible assets of the Group attributable to owners of the Company is prepared based on the audited consolidated net tangible assets of the Group attributable to owners of the Company as at March 31, 2022 as derived from the Accountants' Report as set out in Appendix I to this prospectus, and adjusted as follows:

	Audited consolidated net tangible assets of the Group attributable to owners of the Company as of March 31, 2022	Estimated net proceeds from the Global Offering	Unaudited pro forma adjusted consolidated net tangible assets of the Group attributable to owners of the Company as of March 31, 2022	Unaudited pro forma adjusted consolidated net tangible assets of the Group attributable to owners of the Company as of March 31, 2022 per Share	
	RMB'000 (Note 1)	RMB'000 (Note 2)	RMB'000	RMB (Note 3)	HK\$ (Note 4)
Based on an Offer Price of HK\$2.21 per Offer Share .	428,013	485,466	913,479	0.50	0.57
Based on an Offer Price of HK\$2.88 per Offer Share .	428,013	638,848	1,066,861	0.59	0.67

APPENDIX II UNAUDITED PRO FORMA FINANCIAL INFORMATION

Notes:

1. The audited consolidated net tangible assets of the Group attributable to owners of the Company as of March 31, 2022 is extracted from the Accountants' Report set out in Appendix I to this prospectus, which has been calculated based on the audited consolidated net assets of the Group attributable to owners of the Company as of March 31, 2022 of RMB481,962,000 less intangible assets as of March 31, 2022 of approximately RMB53,949,000.
2. The estimated net proceeds from the issue of the Offer Shares pursuant to the Global Offering are based on 271,500,000 Offer Shares at the Offer Price of lower limit and upper limit of HK\$2.21 and HK\$2.88 per Offer Share, respectively, after deduction of the estimated underwriting commissions and fees and other related expenses incurred and to be incurred by our Company (excluding listing expenses of RMB14,279,000 which have been charged to profit or loss up to March 31, 2022). The calculation of such estimated net proceeds does not take into account any Shares which may be allotted and issued pursuant to the exercise of Over-Allotment Option, or any Shares which may be issued pursuant to the exercise of options which may be granted under the Post-IPO Share Option Scheme, or any Shares which may be issued or repurchased by the Company pursuant to the general mandates granted to the Directors to issue or repurchase Shares as described in the section headed "Share Capital" in this prospectus.

The estimated net proceeds from the Global Offering are converted from Hong Kong dollars into Renminbi at an exchange rate of HK\$1 to RMB0.8830, which was the exchange rate published by the People's Bank of China ("PBOC rate") prevailing on September 16, 2022. No representation is made that Hong Kong dollars amounts have been, could have been or may be converted to Renminbi, or vice versa, at that rate or at any other rates or at all.

3. The unaudited pro forma adjusted consolidated net tangible assets of the Group attributable to owners of the Company per Share is arrived at after adjustments referred to in the preceding paragraphs and on the basis of a total of 1,810,000,000 Shares (including Shares in issue as of the date of this prospectus, Shares to be issued pursuant to the Capitalization Issue and Shares to be issued pursuant to the Global Offering). It does not take into account any Shares which may be allotted and issued pursuant to the exercise of the Over-Allotment Option, or any Shares which may be issued pursuant to the exercise of options which may be granted under the Post-IPO Share Option Scheme, or any Shares which may be issued or repurchased by our Company pursuant to the general mandates granted to the Directors to issue or repurchase Shares as described in the section headed "Share Capital" in this prospectus.
4. The unaudited pro forma adjusted consolidated net tangible assets of the Group attributable to owners of the Company per Share is converted into Hong Kong dollars at a rate of RMB0.8830 to HK\$1.00, which was the PBOC rate prevailing on September 16, 2022. No representation is made that Renminbi amounts have been, could have been or may be converted to Hong Kong dollars, or vice versa, at that rate or at any other rates or at all.
5. No adjustment has been made to the unaudited pro forma adjusted consolidated net tangible assets of the Group attributable to owners of the Company as of March 31, 2022 to reflect any operating result or other transactions of the Group entered into subsequent to March 31, 2022.

The following is the text of the independent reporting accountants' assurance report received from Deloitte Touche Tohmatsu, Certified Public Accountants, Hong Kong, the reporting accountants of the Company, prepared for the purpose of incorporation in this prospectus, in respect of the unaudited pro forma financial information of the Group.



INDEPENDENT REPORTING ACCOUNTANTS' ASSURANCE REPORT ON THE COMPILATION OF UNAUDITED PRO FORMA FINANCIAL INFORMATION

To the Directors of Flowing Cloud Technology Ltd

We have completed our assurance engagement to report on the compilation of unaudited pro forma financial information of Flowing Cloud Technology Ltd (the “**Company**”) and its subsidiaries (hereinafter collectively referred to as the “**Group**”) by the directors of the Company (the “**Directors**”) for illustrative purposes only. The unaudited pro forma financial information consists of the unaudited pro forma statement of adjusted consolidated net tangible assets of the Group as at March 31, 2022 and related notes as set out on pages II-1 to II-2 of Appendix II to the prospectus issued by the Company dated September 29, 2022 (the “**Prospectus**”). The applicable criteria on the basis of which the Directors have compiled the unaudited pro forma financial information are described on pages II-1 to II-2 of Appendix II to the Prospectus.

The unaudited pro forma financial information has been compiled by the Directors to illustrate the impact of the Global Offering (as defined in the Prospectus) on the Group's financial position as at March 31, 2022 as if the Global Offering had taken place at March 31, 2022. As part of this process, information about the Group's financial position has been extracted by the Directors from the Group's historical financial information for the three years ended December 31, 2021 and the three months ended March 31, 2022, on which an accountants' report set out in Appendix I to the Prospectus has been published.

Directors' Responsibilities for the Unaudited Pro Forma Financial Information

The Directors are responsible for compiling the unaudited pro forma financial information in accordance with paragraph 4.29 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the “**Listing Rules**”) and with reference to Accounting Guideline 7 “Preparation of Pro Forma Financial Information for Inclusion in Investment Circulars” (“**AG 7**”) issued by the Hong Kong Institute of Certified Public Accountants (the “**HKICPA**”).

Our Independence and Quality Control

We have complied with the independence and other ethical requirements of the “Code of Ethics for Professional Accountants” issued by the HKICPA, which is founded on fundamental principles of integrity, objectivity, professional competence and due care, confidentiality and professional behavior.

Our firm applies Hong Kong Standard on Quality Control 1 “Quality Control for Firms that Perform Audits and Reviews of Financial Statements, and Other Assurance and Related Services Engagements” issued by the HKICPA and accordingly maintains a comprehensive system of quality control including documented policies and procedures regarding compliance with ethical requirements, professional standards and applicable legal and regulatory requirements.

Reporting Accountants’ Responsibilities

Our responsibility is to express an opinion, as required by paragraph 4.29(7) of the Listing Rules, on the unaudited pro forma financial information and to report our opinion to you. We do not accept any responsibility for any reports previously given by us on any financial information used in the compilation of the unaudited pro forma financial information beyond that owed to those to whom those reports were addressed by us at the dates of their issue.

We conducted our engagement in accordance with Hong Kong Standard on Assurance Engagements 3420 “Assurance Engagements to Report on the Compilation of Pro Forma Financial Information Included in a Prospectus” issued by the HKICPA. This standard requires that the reporting accountants plan and perform procedures to obtain reasonable assurance about whether the Directors have compiled the unaudited pro forma financial information in accordance with paragraph 4.29 of the Listing Rules and with reference to AG 7 issued by the HKICPA.

For purposes of this engagement, we are not responsible for updating or reissuing any reports or opinions on any historical financial information used in compiling the unaudited pro forma financial information, nor have we, in the course of this engagement, performed an audit or review of the financial information used in compiling the unaudited pro forma financial information.

The purpose of unaudited pro forma financial information included in an investment circular is solely to illustrate the impact of a significant event or transaction on unadjusted financial information of the Group as if the event had occurred or the transaction had been undertaken at an earlier date selected for purposes of the illustration. Accordingly, we do not provide any assurance that the actual outcome of the event or transaction at March 31, 2022 would have been as presented.

APPENDIX II UNAUDITED PRO FORMA FINANCIAL INFORMATION

A reasonable assurance engagement to report on whether the unaudited pro forma financial information has been properly compiled on the basis of the applicable criteria involves performing procedures to assess whether the applicable criteria used by the Directors in the compilation of the unaudited pro forma financial information provide a reasonable basis for presenting the significant effects directly attributable to the event or transaction, and to obtain sufficient appropriate evidence about whether:

- the related pro forma adjustments give appropriate effect to those criteria; and
- the unaudited pro forma financial information reflects the proper application of those adjustments to the unadjusted financial information.

The procedures selected depend on the reporting accountants' judgment, having regard to the reporting accountants' understanding of the nature of the Group, the event or transaction in respect of which the unaudited pro forma financial information has been compiled, and other relevant engagement circumstances.

The engagement also involves evaluating the overall presentation of the unaudited pro forma financial information.

We believe that the evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Opinion

In our opinion:

- (a) the unaudited pro forma financial information has been properly compiled on the basis stated;
- (b) such basis is consistent with the accounting policies of the Group; and
- (c) the adjustments are appropriate for the purposes of the unaudited pro forma financial information as disclosed pursuant to paragraph 4.29(1) of the Listing Rules.

Deloitte Touche Tohmatsu

Certified Public Accountants

Hong Kong

September 29, 2022

Set out below is a summary of certain provisions of the Memorandum and Articles of Association of our Company and of certain aspects of the Cayman Companies Act.

Our Company was incorporated in the Cayman Islands as an exempted company with limited liability on 24 June 2021 under the Cayman Companies Act. Our Company's constitutional documents consist of its Memorandum of Association and its Articles of Association.

1. MEMORANDUM OF ASSOCIATION

- (a) The Memorandum states, inter alia, that the liability of members of our Company is limited to the amount, if any, for the time being unpaid on the shares respectively held by them and that the objects for which our Company is established are unrestricted (including acting as an investment company), and that our Company shall have and be capable of exercising all the functions of a natural person of full capacity irrespective of any question of corporate benefit, as provided in section 27(2) of the Cayman Companies Act and in view of the fact that our Company is an exempted company that our Company will not trade in the Cayman Islands with any person, firm or corporation except in furtherance of the business of our Company carried on outside the Cayman Islands.
- (b) Our Company may by special resolution alter its Memorandum with respect to any objects, powers or other matters specified therein.

2. ARTICLES OF ASSOCIATION

The Articles were conditionally adopted on September 8, 2022 with effect from the Listing Date. The following is a summary of certain provisions of the Articles:

(a) Shares

(i) *Classes of shares*

The share capital of our Company consists of ordinary shares.

(ii) Variation of rights of existing shares or classes of shares

Subject to the Cayman Companies Act, if at any time the share capital of our Company is divided into different classes of shares, all or any of the special rights attached to the shares or any class of shares may (unless otherwise provided for by the terms of issue of that class) be varied, modified or abrogated either with the consent in writing of the holders of not less than three-fourths of the issued shares of that class or with the sanction of a special resolution passed at a separate general meeting of the holders of the shares of that class. To every such separate general meeting the provisions of the Articles relating to general meetings will mutatis mutandis apply, but so that the necessary quorum (other than at an adjourned meeting) shall be two persons holding or representing by proxy holding not less than one-third of the issued shares of that class and at any adjourned meeting two holders present in person or by proxy (whatever the number of shares held by them) shall be a quorum. Every holder of shares of the class shall be entitled to one vote for every such share held by him.

Any special rights conferred upon the holders of any shares or class of shares shall not, unless otherwise expressly provided in the rights attaching to the terms of issue of such shares, be deemed to be varied by the creation or issue of further shares ranking *pari passu* therewith.

(iii) Alteration of capital

Our Company may by ordinary resolution of its members:

- (i) increase its share capital by the creation of new shares;
- (ii) consolidate all or any of its capital into shares of larger amount than its existing shares;
- (iii) divide its shares into several classes and attach to such shares any preferential, deferred, qualified or special rights, privileges, conditions or restrictions as our Company in general meeting or as our Directors may determine;
- (iv) subdivide its shares or any of them into shares of smaller amount than is fixed by the Memorandum; or
- (v) cancel any shares which, at the date of passing of the resolution, have not been taken and diminish the amount of its capital by the amount of the shares so cancelled.

Our Company may reduce its share capital or any capital redemption reserve or other undistributable reserve in any way by special resolution.

(iv) Transfer of shares

All transfers of shares may be effected by an instrument of transfer in the usual or common form or in a form prescribed by the Stock Exchange or in such other form as the Board may approve and which may be under hand or, if the transferor or transferee is a clearing house or its nominee(s), by hand or by machine imprinted signature or by such other manner of execution as the Board may approve from time to time.

Notwithstanding the foregoing, for so long as any shares are listed on the Stock Exchange, titles to such listed shares may be evidenced and transferred in accordance with the laws applicable to and the rules and regulations of the Stock Exchange that are or shall be applicable to such listed shares. The register of members in respect of its listed shares (whether the principal register or a branch register) may be kept by recording the particulars required by Section 40 of the Cayman Companies Act in a form otherwise than legible if such recording otherwise complies with the laws applicable to and the rules and regulations of the Stock Exchange that are or shall be applicable to such listed shares.

The instrument of transfer shall be executed by or on behalf of the transferor and the transferee provided that the Board may dispense with the execution of the instrument of transfer by the transferee. The transferor shall be deemed to remain the holder of the share until the name of the transferee is entered in the register of members in respect of that share.

The Board may, in its absolute discretion, at any time transfer any share upon the principal register to any branch register or any share on any branch register to the principal register or any other branch register.

The Board may decline to recognise any instrument of transfer unless a fee (not exceeding the maximum sum as the Stock Exchange may determine to be payable) determined by our Directors is paid to our Company, the instrument of transfer is properly stamped (if applicable), it is in respect of only one class of share and is lodged at the relevant registration office or registered office or such other place at which the principal register is kept accompanied by the relevant share certificate(s) and such other evidence as the Board may reasonably require to show the right of the transferor to make the transfer (and if the instrument of transfer is executed by some other person on his behalf, the authority of that person so to do).

The registration of transfers may be suspended and the register closed on giving notice by advertisement in any newspaper or by any other means in accordance with the requirements of the Stock Exchange, at such times and for such periods as the Board may determine. The register of members must not be closed for periods exceeding in the whole thirty (30) days in any year.

Subject to the above, fully paid shares are free from any restriction on transfer and free of all liens in favour of our Company.

(v) Power of our Company to purchase its own shares

Our Company is empowered by the Cayman Companies Act and the Articles to purchase its own shares subject to certain restrictions and the Board may only exercise this power on behalf of our Company subject to any applicable requirements imposed from time to time by the Stock Exchange.

Where our Company purchases for redemption a redeemable share, purchases not made through the market or by tender must be limited to a maximum price determined by our Company in general meeting. If purchases are by tender, tenders must be made available to all members alike.

The Board may accept the surrender for no consideration of any fully paid share.

(vi) Power of any subsidiary of our Company to own shares in our Company

There are no provisions in the Articles relating to ownership of shares in our Company by a subsidiary.

(vii) Calls on shares and forfeiture of shares

The Board may from time to time make such calls upon the members in respect of any monies unpaid on the shares held by them respectively (whether on account of the nominal value of the shares or by way of premium). A call may be made payable either in one lump sum or by instalments. If the sum payable in respect of any call or instalment is not paid on or before the day appointed for payment thereof, the person or persons from whom the sum is due shall pay interest on the same at such rate not exceeding twenty per cent. (20%) per annum as the Board may agree to accept from the day appointed for the payment thereof to the time of actual payment, but the Board may waive payment of such interest wholly or in part. The Board may, if it thinks fit, receive from any member willing to advance the same, either in money or money's worth, all or any part of the monies uncalled and unpaid or instalments payable upon any shares held by him, and upon all or any of the monies so advanced our Company may pay interest at such rate (if any) as the Board may decide.

If a member fails to pay any call on the day appointed for payment thereof, the Board may serve not less than fourteen (14) clear days' notice on him requiring payment of so much of the call as is unpaid, together with any interest which may have accrued and which may still accrue up to the date of actual payment and stating that, in the event of non-payment at or before the time appointed, the shares in respect of which the call was made will be liable to be forfeited.

If the requirements of any such notice are not complied with, any share in respect of which the notice has been given may at any time thereafter, before the payment required by the notice has been made, be forfeited by a resolution of the Board to that effect. Such forfeiture will include all dividends and bonuses declared in respect of the forfeited share and not actually paid before the forfeiture.

A person whose shares have been forfeited shall cease to be a member in respect of the forfeited shares but shall, notwithstanding, remain liable to pay to our Company all monies which, at the date of forfeiture, were payable by him to our Company in respect of the shares, together with (if the Board shall in its discretion so require) interest thereon from the date of forfeiture until the date of actual payment at such rate not exceeding twenty per cent. (20%) per annum as the Board determines.

(b) Directors

(i) *Appointment, retirement and removal*

At each annual general meeting, one third of our Directors for the time being (or if their number is not a multiple of three, then the number nearest to but not less than one third) shall retire from office by rotation provided that every Director shall be subject to retirement at an annual general meeting at least once every three years. Our Directors to retire by rotation shall include any Director who wishes to retire and not offer himself for re-election. Any further Directors so to retire shall be those who have been longest in office since their last re-election or appointment but as between persons who became or were last re-elected Directors on the same day those to retire will (unless they otherwise agree among themselves) be determined by lot.

Neither a Director nor an alternate Director is required to hold any shares in our Company by way of qualification. Further, there are no provisions in the Articles relating to retirement of Directors upon reaching any age limit.

Our Directors have the power to appoint any person as a Director either to fill a casual vacancy on the Board or as an addition to the existing Board. Any Director appointed to fill a casual vacancy shall hold office until the next first annual general meeting of members after his

appointment and be subject to re-election at such meeting and any Director appointed as an addition to the existing Board shall hold office only until the next first annual general meeting of our Company and shall then be eligible for re-election.

A Director may be removed by an ordinary resolution of our Company's shareholders before the expiration of his period of office (including a managing director or other executive director, but without prejudice to any claim which such Director may have for damages for any breach of any contract between him and our Company) and members of our Company may by ordinary resolution appoint another in his place. Unless otherwise determined by our Company in general meeting, the number of Directors shall not be less than two. There is no maximum number of Directors.

The office of director shall be vacated if:

- (aa) he becomes bankrupt or has a receiving order made against him or suspends payment or compounds with his creditors generally; or
- (bb) he dies or is declared to be of unsound mind and the Board resolves that his office be vacated; or
- (cc) without special leave, he is absent from meetings of the Board for six (6) consecutive months, and the Board resolves that his office is vacated; or
- (dd) he is prohibited by law from acting as a director or he ceases to be a director by operation of law; or
- (ee) he has been validly required by the stock exchange of the Relevant Territory (as defined in the Articles) to cease to be a Director; or
- (ff) he resigns; or
- (gg) he is removed from office by the requisite majority of the Directors, and ordinary resolution of our Company or otherwise pursuant to the Articles; or
- (hh) he is removed from office by notice in writing served on him signed by not less than three-fourth in number (or if that is not a round number, the nearest lower round number) of the Directors (including himself) then in office.

The Board may appoint one or more of its body to be managing director, joint managing director, or deputy managing director or to hold any other employment or executive office with our Company for such period and upon such terms as the Board may determine and the Board may revoke or terminate any of such appointments. The Board may delegate any of its powers, authorities and discretions to committees consisting of such Director or Directors and other persons as the Board thinks fit, and it may from time to time revoke such delegation or revoke the appointment of and discharge any such committees either wholly or in part, and either as to persons or purposes, but every committee so formed must, in the exercise of the powers, authorities and discretions so delegated, conform to any regulations that may from time to time be imposed upon it by the Board.

(ii) Power to allot and issue shares and warrants

Subject to the provisions of the Cayman Companies Act and the Memorandum and Articles and to any special rights conferred on the holders of any shares or class of shares, any share may be issued (a) with or have attached thereto such rights, or such restrictions, whether with regard to dividend, voting, return of capital, or otherwise, as our Directors may determine, or (b) on terms that, at the option of our Company or the holder thereof, it is liable to be redeemed.

The Board may issue warrants or convertible securities or securities of similar nature conferring the right upon the holders thereof to subscribe for any class of shares or securities in the capital of our Company on such terms as it may determine.

Subject to the provisions of the Cayman Companies Act and the Articles and, where applicable, the rules of the Stock Exchange and without prejudice to any special rights or restrictions for the time being attached to any shares or any class of shares, all unissued shares in our Company are at the disposal of the Board, which may offer, allot, grant options over or otherwise dispose of them to such persons, at such times, for such consideration and on such terms and conditions as it in its absolute discretion thinks fit, but so that no shares shall be issued at a discount to their nominal value.

Neither our Company nor the Board is obliged, when making or granting any allotment of, offer of, option over or disposal of shares, to make, or make available, any such allotment, offer, option or shares to members or others with registered addresses in any particular territory or territories being a territory or territories where, in the absence of a registration statement or other special formalities, this would or might, in the opinion of the Board, be unlawful or impracticable. Members affected as a result of the foregoing sentence shall not be, or be deemed to be, a separate class of members for any purpose whatsoever.

(iii) Power to dispose of the assets of our Company or any of its subsidiaries

There are no specific provisions in the Articles relating to the disposal of the assets of our Company or any of its subsidiaries. Our Directors may, however, exercise all powers and do all acts and things which may be exercised or done or approved by our Company and which are not required by the Articles or the Cayman Companies Act to be exercised or done by our Company in general meeting.

(iv) Borrowing powers

The Board may exercise all the powers of our Company to raise or borrow money, to mortgage or charge all or any part of the undertaking, property and assets and uncalled capital of our Company and, subject to the Cayman Companies Act, to issue debentures, bonds and other securities of our Company, whether outright or as collateral security for any debt, liability or obligation of our Company or of any third party.

(v) Remuneration

The ordinary remuneration of our Directors is to be determined by our Company in general meeting, such sum (unless otherwise directed by the resolution by which it is voted) to be divided amongst our Directors in such proportions and in such manner as the Board may agree or, failing agreement, equally, except that any Director holding office for part only of the period in respect of which the remuneration is payable shall only rank in such division in proportion to the time during such period for which he held office. Our Directors are also entitled to be prepaid or repaid all travelling, hotel and incidental expenses reasonably expected to be incurred or incurred by them in attending any Board meetings, committee meetings or general meetings or separate meetings of any class of shares or of debentures of our Company or otherwise in connection with the discharge of their duties as Directors.

Any Director who, by request, goes or resides abroad for any purpose of our Company or who performs services which in the opinion of the Board go beyond the ordinary duties of a Director may be paid such extra remuneration as the Board may determine and such extra remuneration shall be in addition to or in substitution for any ordinary remuneration as a Director. An Executive Director appointed to be a managing director, joint managing director, deputy managing director or other executive officer shall receive such remuneration and such other benefits and allowances as the Board may from time to time decide. Such remuneration may be either in addition to or in lieu of his remuneration as a Director.

The Board may establish or concur or join with other companies (being subsidiary companies of our Company or companies with which it is associated in business) in establishing and making contributions out of our Company's monies to any schemes or funds for providing pensions, sickness or compassionate allowances, life assurance or other benefits for employees (which expression as used in this and the following paragraph shall include any Director or ex-Director who may hold or have held any executive office or any office of profit with our Company or any of its subsidiaries) and ex-employees of our Company and their dependants or any class or classes of such persons.

The Board may pay, enter into agreements to pay or make grants of revocable or irrevocable, and either subject or not subject to any terms or conditions, pensions or other benefits to employees and ex-employees and their dependants, or to any of such persons, including pensions or benefits additional to those, if any, to which such employees or ex-employees or their dependants are or may become entitled under any such scheme or fund as is mentioned in the previous paragraph. Any such pension or benefit may, as the Board considers desirable, be granted to an employee either before and in anticipation of, or upon or at any time after, his actual retirement.

The Board may resolve to capitalise all or any part of any amount for the time being standing to the credit of any reserve or fund (including a share premium account and the profit and loss account) whether or not the same is available for distribution by applying such sum in paying up unissued shares to be allotted to (i) employees (including directors) of our Company and/or its affiliates (meaning any individual, corporation, partnership, association, joint-stock company, trust, unincorporated association or other entity (other than our Company) that directly, or indirectly through one or more intermediaries, controls, is controlled by or is under common control with, our Company) upon exercise or vesting of any options or awards granted under any share incentive scheme or employee benefit scheme or other arrangement which relates to such persons that has been adopted or approved by the members in general meeting, or (ii) any trustee of any trust to whom shares are to be allotted and issued by our Company in connection with the operation of any share incentive scheme or employee benefit scheme or other arrangement which relates to such persons that has been adopted or approved by the members in general meeting.

(vi) Compensation or payments for loss of office

Pursuant to the Articles, payments to any Director or past Director of any sum by way of compensation for loss of office or as consideration for or in connection with his retirement from office (not being a payment to which our Director is contractually entitled) must be approved by our Company in general meeting.

(vii) Loans and provision of security for loans to Directors

Our Company must not make any loan, directly or indirectly, to a Director or his close associate(s) if and to the extent it would be prohibited by the Companies Ordinance as if our Company were a company incorporated in Hong Kong.

(viii) Disclosure of interests in contracts with our Company or any of its subsidiaries

A Director may hold any other office or place of profit with our Company (except that of the auditor of our Company) in conjunction with his office of Director for such period and upon such terms as the Board may determine, and may be paid such extra remuneration therefor in addition to any remuneration provided for by or pursuant to the Articles. A Director may be or become a director or other officer of, or otherwise interested in, any company promoted by our Company or any other company in which our Company may be interested, and shall not be liable to account to our Company or the members for any remuneration, profits or other benefits received by him as a director, officer or member of, or from his interest in, such other company. The Board may also cause the voting power conferred by the shares in any other company held or owned by our Company to be exercised in such manner in all respects as it thinks fit, including the exercise thereof in favour of any resolution appointing our Directors or any of them to be directors or officers of such other company, or voting or providing for the payment of remuneration to our directors or officers of such other company.

No Director or proposed or intended Director shall be disqualified by his office from contracting with our Company, either with regard to his tenure of any office or place of profit or as vendor, purchaser or in any other manner whatsoever, nor shall any such contract or any other contract or arrangement in which any Director is in any way interested be liable to be avoided, nor shall any Director so contracting or being so interested be liable to account to our Company or the members for any remuneration, profit or other benefits realised by any such contract or arrangement by reason of such Director holding that office or the fiduciary relationship thereby established. A Director who to his knowledge is in any way, whether directly or indirectly, interested in a contract or arrangement or proposed contract or arrangement with our Company must declare the nature of his interest at the meeting of the Board at which the question of entering into the contract or arrangement is first taken into consideration, if he knows his interest then exists, or in any other case, at the first meeting of the Board after he knows that he is or has become so interested.

A Director shall not vote (nor be counted in the quorum) on any resolution of the Board approving any contract or arrangement or other proposal in which he or any of his close associates is materially interested, but this prohibition does not apply to any of the following matters, namely:

- (aa) any contract or arrangement for giving to such Director or his close associate(s) any security or indemnity in respect of money lent by him or any of his close associates or obligations incurred or undertaken by him or any of his close associates at the request of or for the benefit of our Company or any of its subsidiaries;
- (bb) any contract or arrangement for the giving of any security or indemnity to a third party in respect of a debt or obligation of our Company or any of its subsidiaries for which our Director or his close associate(s) has himself/themselves assumed responsibility in whole or in part whether alone or jointly under a guarantee or indemnity or by the giving of security;
- (cc) any contract or arrangement concerning an offer of shares or debentures or other securities of or by our Company or any other company which our Company may promote or be interested in for subscription or purchase, where our Director or his close associate(s) is/are or is/are to be interested as a participant in the underwriting or sub-underwriting of the offer;
- (dd) any contract or arrangement in which our Director or his close associate(s) is/are interested in the same manner as other holders of shares or debentures or other securities of our Company by virtue only of his/their interest in shares or debentures or other securities of our Company; or
- (ee) any proposal or arrangement concerning the adoption, modification or operation of a share option scheme, a pension fund or retirement, death, or disability benefits scheme or other arrangement which relates both to Directors, his close associates and employees of our Company or of any of its subsidiaries and does not provide in respect of any Director, or his close associate(s), as such any privilege or advantage not accorded generally to the class of persons to which such scheme or fund relates.

(c) Proceedings of the Board

The Board may meet for the despatch of business, adjourn and otherwise regulate its meetings as it considers appropriate. Questions arising at any meeting shall be determined by a majority of votes. In the case of an equality of votes, the chairman of the meeting shall have an additional or casting vote.

(d) Alterations to constitutional documents and our Company's name

The Articles may be rescinded, altered or amended by our Company in general meeting by special resolution. The Articles state that a special resolution shall be required to alter the provisions of the Memorandum, to amend the Articles or to change the name of our Company.

(e) Meetings of members***(i) Special and ordinary resolutions***

A special resolution of our Company must be passed by a majority of not less than three-fourths of the votes cast by such members as, being entitled so to do, vote in person or, in the case of such members as are corporations, by their duly authorised representatives or, where proxies are allowed, by proxy at a general meeting of which notice has been duly given in accordance with the Articles.

Under the Cayman Companies Act, a copy of any special resolution must be forwarded to the Registrar of Companies in the Cayman Islands within fifteen (15) days of being passed.

An ordinary resolution is defined in the Articles to mean a resolution passed by a simple majority of the votes of such members of our Company as, being entitled to do so, vote in person or, in the case of corporations, by their duly authorised representatives or, where proxies are allowed, by proxy at a general meeting of which notice has been duly given in accordance with the Articles.

(ii) Voting rights and right to demand a poll

Subject to any special rights or restrictions as to voting for the time being attached to any shares, at any general meeting on a poll every member present in person or by proxy or, in the case of a member being a corporation, by its duly authorised representative shall have one vote for every fully paid share of which he is the holder but so that no amount paid up or credited as paid

up on a share in advance of calls or instalments is treated for the foregoing purposes as paid up on the share. A member entitled to more than one vote need not use all his votes or cast all the votes he uses in the same way.

At any general meeting a resolution put to the vote of the meeting is to be decided by way of a poll save that the chairman of the meeting may pursuant to the Listing Rules, allow a resolution which relates purely to a procedural or administrative matter to be voted on by a show of hands in which case every member present in person (or being a corporation, is present by a duly authorised representative), or by proxy(ies) shall have one vote provided that where more than one proxy is appointed by a member which is a clearing house (or its nominee(s)), each such proxy shall have one vote on a show of hands.

If a recognised clearing house (or its nominee(s)) is a member of our Company it may authorise such person or persons as it thinks fit to act as its representative(s) at any meeting of our Company or at any meeting of any class of members of our Company provided that, if more than one person is so authorised, the authorisation shall specify the number and class of shares in respect of which each such person is so authorised. A person authorised pursuant to this provision shall be deemed to have been duly authorised without further evidence of the facts and be entitled to exercise the same powers on behalf of the recognised clearing house (or its nominee(s)) as if such person was the registered holder of the shares of our Company held by that clearing house (or its nominee(s)) including, the right to speak and vote, and where a show of hands is allowed, the right to vote individually on a show of hands.

Shareholders must have the right to: (a) speak at general meetings of our Company; and (b) vote at a general meeting except whether a shareholder is required, by the Listing Rules, to abstain from voting to approve the matter under consideration.

Where our Company has any knowledge that any shareholder is, under the rules of the Stock Exchange, required to abstain from voting on any particular resolution of our Company or restricted to voting only for or only against any particular resolution of our Company, any votes cast by or on behalf of such shareholder in contravention of such requirement or restriction shall not be counted.

(iii) Annual general meetings and extraordinary general meeting

Other than the year of our Company's adoption of the Articles, in each year during the period commencing from the Listing Date and including the date immediately before the Listing Date the Company shall hold a general meeting as its annual general meeting in addition to any other meeting in that year and shall specify the meeting as such in the notice calling it. Such annual general meeting shall be held within six months after the end of relevant financial year.

Extraordinary general meetings may be convened on the requisition of one or more shareholders holding, at the date of deposit of the requisition, not less than one-tenth of the paid up capital of our Company having the right of voting at general meetings, on a one vote per share basis in the share capital of our Company and the foregoing shareholders shall be able to add resolutions to the meeting agenda. Such requisition shall be made in writing to the Board or the secretary for the purpose of requiring an extraordinary general meeting to be called by the Board for the transaction of any business specified in such requisition. Such meeting shall be held within 2 months after the deposit of such requisition. If within 21 days of such deposit, the Board fails to proceed to convene such meeting, the requisitionist(s) himself/herself (themselves) may do so in the same manner, and all reasonable expenses incurred by the requisitionist(s) as a result of the failure of the Board shall be reimbursed to the requisitionist(s) by our Company.

(iv) Notices of meetings and business to be conducted

An annual general meeting must be called by notice of not less than twenty-one (21) clear days' notice in writing. All other general meetings must be called by notice of at least fourteen (14) clear days' notice in writing. The notice is exclusive of the day on which it is served or deemed to be served and of the day for which it is given, and must specify the time and place of the meeting and particulars of resolutions to be considered at the meeting and, in the case of special business, the general nature of that business.

In addition, notice of every general meeting must be given to all members of our Company other than to such members as, under the provisions of the Articles or the terms of issue of the shares they hold, are not entitled to receive such notices from our Company, and also to, among others, the auditors for the time being of our Company.

Any notice to be given to or by any person pursuant to the Articles may be served on or delivered to any member of our Company personally, by post to such member's registered address or by advertisement in newspapers in accordance with the requirements of the Stock Exchange. Subject to compliance with Cayman Islands law and the rules of the Stock Exchange, notice may also be served or delivered by our Company to any member by electronic means.

All business that is transacted at an extraordinary general meeting and at an annual general meeting is deemed special, save that in the case of an annual general meeting, each of the following business is deemed an ordinary business:

- (aa) the declaration and sanctioning of dividends;
- (bb) the consideration and adoption of the accounts and balance sheet and the reports of our directors and the auditors;
- (cc) the election of directors in place of those retiring;
- (dd) the appointment of auditors and other officers; and
- (ee) the fixing of the remuneration of our directors and of the auditors.

(v) *Quorum for meetings and separate class meetings*

No business shall be transacted at any general meeting unless a quorum is present when the meeting proceeds to business, but the absence of a quorum shall not preclude the appointment of a chairman.

The quorum for a general meeting shall be two members present in person (or, in the case of a member being a corporation, by its duly authorised representative) or by proxy and entitled to vote. In respect of a separate class meeting (other than an adjourned meeting) convened to sanction the modification of class rights the necessary quorum shall be two persons holding or representing by proxy not less than one-third of the issued shares of that class.

(vi) *Proxies*

Any member of our Company entitled to attend and vote at a meeting of our Company is entitled to appoint another person as his proxy to attend and vote instead of him. A member who is the holder of two or more shares may appoint more than one proxy to represent him and vote on his behalf at a general meeting of our Company or at a class meeting. A proxy need not be a member of our Company and is entitled to exercise the same powers on behalf of a member who is an individual and for whom he acts as proxy as such member could exercise. In addition, every member being a corporation shall be entitled to appoint a representative to attend and vote at any general meeting of the Company and, where a corporation is so represented, it shall be treated as being present at any meeting in person. A corporation may execute a form of proxy under the hand of a duly authorized officer and such a proxy is entitled to exercise the same powers on

behalf of a member which is a corporation and for which he acts as proxy as such member could exercise as if it were an individual member. On a poll or a show of hands, votes may be given either personally (or, in the case of a member being a corporation, by its duly authorised representative) or by proxy.

(f) Accounts and audit

The Board shall cause true accounts to be kept of the sums of money received and expended by our Company, and the matters in respect of which such receipt and expenditure take place, and of the property, assets, credits and liabilities of our Company and of all other matters required by the Cayman Companies Act or necessary to give a true and fair view of our Company's affairs and to explain its transactions.

The accounting records must be kept at the registered office or at such other place or places as the Board decides and shall always be open to inspection by any Director. No member (other than a Director) shall have any right to inspect any accounting record or book or document of our Company except as conferred by law or authorised by the Board or our Company in general meeting. However, an exempted company must make available at its registered office in electronic form or any other medium, copies of its books of account or parts thereof as may be required of it upon service of an order or notice by the Tax Information Authority pursuant to the Tax Information Authority Act of the Cayman Islands.

A copy of every balance sheet and profit and loss account (including every document required by law to be annexed thereto) which is to be laid before our Company at its general meeting, together with a printed copy of our Directors' report and a copy of the auditors' report, shall not less than twenty-one (21) days before the date of the meeting and at the same time as the notice of annual general meeting be sent to every person entitled to receive notices of general meetings of our Company under the provisions of the Articles; however, subject to compliance with all applicable laws, including the rules of the Stock Exchange, our Company may send to such persons summarised financial statements derived from our Company's annual accounts and our directors' report instead provided that any such person may by notice in writing served on our Company, demand that our Company sends to him, in addition to summarised financial statements, a complete printed copy of our Company's annual financial statement and our directors' report thereon.

At the annual general meeting or at a subsequent extraordinary general meeting in each year, the members shall by ordinary resolution appoint an auditor to audit the accounts of our Company and such auditor shall hold office until the next annual general meeting. Moreover, the members may, at any general meeting, by ordinary resolution remove the auditors at any time before the

expiration of his terms of office and shall by ordinary resolution at that meeting appoint another auditor for the remainder of his term. The appointment, removal and remuneration of the auditors must be approved by a majority of our Company's shareholders in a general meeting or by other body that is independent of the Board, except that in any particular year our Company in general meeting (or such body independent of the Board as aforementioned) may delegate the fixing of such remuneration to the Board and the remuneration of any auditors appointed to fill any casual vacancy may be fixed by the Board.

The financial statements of our Company shall be audited by the auditor in accordance with generally accepted auditing standards which may be those of a country or jurisdiction other than the Cayman Islands. The auditor shall make a written report thereon in accordance with generally accepted auditing standards and the report of the auditor must be submitted to the members in general meeting.

(g) Dividends and other methods of distribution

Our Company in general meeting may declare dividends in any currency to be paid to the members but no dividend shall be declared in excess of the amount recommended by the Board.

The Articles provide dividends may be declared and paid out of the profits of our Company, realised or unrealised, or from any reserve set aside from profits which our directors determine is no longer needed. With the sanction of an ordinary resolution dividends may also be declared and paid out of share premium account or any other fund or account which can be authorised for this purpose in accordance with the Cayman Companies Act.

Except in so far as the rights attaching to, or the terms of issue of, any share may otherwise provide, (i) all dividends shall be declared and paid according to the amounts paid up on the shares in respect whereof the dividend is paid but no amount paid up on a share in advance of calls shall for this purpose be treated as paid up on the share and (ii) all dividends shall be apportioned and paid pro rata according to the amount paid up on the shares during any portion or portions of the period in respect of which the dividend is paid. Our Directors may deduct from any dividend or other monies payable to any member or in respect of any shares all sums of money (if any) presently payable by him to our Company on account of calls or otherwise.

Whenever the Board or our Company in general meeting has resolved that a dividend be paid or declared on the share capital of our Company, the Board may further resolve either (a) that such dividend be satisfied wholly or in part in the form of an allotment of shares credited as fully paid up, provided that the shareholders entitled thereto will be entitled to elect to receive such dividend

(or part thereof) in cash in lieu of such allotment, or (b) that shareholders entitled to such dividend will be entitled to elect to receive an allotment of shares credited as fully paid up in lieu of the whole or such part of the dividend as the Board may think fit.

Our Company may also upon the recommendation of the Board by an ordinary resolution resolve in respect of any one particular dividend of our Company that it may be satisfied wholly in the form of an allotment of shares credited as fully paid up without offering any right to shareholders to elect to receive such dividend in cash in lieu of such allotment.

Any dividend, interest or other sum payable in cash to the holder of shares may be paid by cheque or warrant sent through the post addressed to the holder at his registered address, or in the case of joint holders, addressed to the holder whose name stands first in the register of our Company in respect of the shares at his address as appearing in the register or addressed to such person and at such addresses as the holder or joint holders may in writing direct. Every such cheque or warrant shall, unless the holder or joint holders otherwise direct, be made payable to the order of the holder or, in the case of joint holders, to the order of the holder whose name stands first on the register in respect of such shares, and shall be sent at his or their risk and payment of the cheque or warrant by the bank on which it is drawn shall constitute a good discharge to our Company. Any one of two or more joint holders may give effectual receipts for any dividends or other moneys payable or property distributable in respect of the shares held by such joint holders.

Whenever the Board or our Company in general meeting has resolved that a dividend be paid or declared the Board may further resolve that such dividend be satisfied wholly or in part by the distribution of specific assets of any kind.

All dividends or bonuses unclaimed for one year after having been declared may be invested or otherwise made use of by the Board for the benefit of our Company until claimed and our Company shall not be constituted a trustee in respect thereof. All dividends or bonuses unclaimed for six years after having been declared may be forfeited by the Board and shall revert to our Company.

No dividend or other monies payable by our Company on or in respect of any share shall bear interest against our Company.

(h) Inspection of corporate records

Pursuant to the Articles, the register and branch register of members shall be open to inspection during business hours by members without charge, or by any other person upon a maximum payment of HK\$2.50 or such lesser sum specified by the Board, at the registered office

or such other place at which the register is kept in accordance with the Cayman Companies Act or, upon a maximum payment of HK\$1.00 or such lesser sum specified by the Board, at the office where the branch register of members is kept, unless the register is closed in accordance with the Articles.

(i) Rights of minorities in relation to fraud or oppression

There are no provisions in the Articles relating to rights of minority shareholders in relation to fraud or oppression. However, certain remedies are available to shareholders of our Company under Cayman Islands law, as summarised in paragraph 3(f) of this Appendix III.

(j) Procedures on liquidation

Our Company may at any time and from time to time be wound up voluntarily by a special resolution. If our Company shall be wound up, the liquidator shall apply the assets of our Company in such manner and order as he thinks fit in satisfaction of creditors' claims.

Subject to any special rights, privileges or restrictions as to the distribution of available surplus assets on liquidation for the time being attached to any class or classes of shares:

- (i) if our Company is wound up and the assets available for distribution amongst the members of our Company shall be more than sufficient to repay the whole of the capital paid up at the commencement of the winding up, the excess shall be distributed *pari passu* amongst such members in proportion to the amount paid up on the shares held by them respectively; and
- (ii) if our Company is wound up and the assets available for distribution amongst the members as such shall be insufficient to repay the whole of the paid-up capital, such assets shall be distributed so that, as nearly as may be, the losses shall be borne by the members in proportion to the capital paid up, or which ought to have been paid up, at the commencement of the winding up on the shares held by them respectively.

If our Company is wound up (whether the liquidation is voluntary or by the court) the liquidator may, with the authority of a special resolution and any other sanction required by the Cayman Companies Act divide among the members in specie or kind the whole or any part of the assets of our Company whether the assets shall consist of property of one kind or shall consist of properties of different kinds and the liquidator may, for such purpose, set such value as he deems fair upon any one or more class or classes of property to be divided as aforesaid and may determine how such division shall be carried out as between the members or different classes of

members. The liquidator may, with the like authority, vest any part of the assets in trustees upon such trusts for the benefit of members as the liquidator, with the like authority, shall think fit, but so that no contributory shall be compelled to accept any shares or other property in respect of which there is a liability.

(k) Subscription rights reserve

The Articles provide that to the extent that it is not prohibited by and is in compliance with the Cayman Companies Act, if warrants to subscribe for shares have been issued by our Company and our Company does any act or engages in any transaction which would result in the subscription price of such warrants being reduced below the par value of a share, a subscription rights reserve shall be established and applied in paying up the difference between the subscription price and the par value of a share on any exercise of the warrants.

3. CAYMAN COMPANIES ACT

Our Company is incorporated in the Cayman Islands subject to the Cayman Companies Act and, therefore, operates subject to Cayman Islands law. Set out below is a summary of certain provisions of the Cayman Companies Act, although this does not purport to contain all applicable qualifications and exceptions or to be a complete review of all matters of the Cayman Islands company law and taxation, which may differ from equivalent provisions in jurisdictions with which interested parties may be more familiar (for the avoidance of doubt, special resolution used in the below summary shall have the meaning as set out in the Cayman Companies Act):

(a) Company operations

As an exempted company, our Company's operations must be conducted mainly outside the Cayman Islands. An exempted company is required to file an annual return each year with the Registrar of Companies of the Cayman Islands and pay a fee which is based on the amount of its authorised share capital.

(b) Share capital

The Cayman Companies Act provides that where a company issues shares at a premium, whether for cash or otherwise, a sum equal to the aggregate amount of the value of the premiums on those shares shall be transferred to an account, to be called the "share premium account". At the option of a company, these provisions may not apply to premiums on shares of that company allotted pursuant to any arrangement in consideration of the acquisition or cancellation of shares in any other company and issued at a premium.

The Cayman Companies Act provides that the share premium account may be applied by a company subject to the provisions, if any, of its memorandum and articles of association in (a) paying distributions or dividends to members; (b) paying up unissued shares of our company to be issued to members as fully paid bonus shares; (c) the redemption and repurchase of shares (subject to the provisions of section 37 of the Cayman Companies Act); (d) writing-off the preliminary expenses of our company; and (e) writing-off the expenses of, or the commission paid or discount allowed on, any issue of shares or debentures of our company.

No distribution or dividend may be paid to members out of the share premium account unless immediately following the date on which the distribution or dividend is proposed to be paid, our company will be able to pay its debts as they fall due in the ordinary course of business.

The Cayman Companies Act provides that, subject to confirmation by the Grand Court of the Cayman Islands (the “**Court**”), a company limited by shares or a company limited by guarantee and having a share capital may, if so authorised by its articles of association, by special resolution reduce its share capital in any way.

(c) Financial assistance to purchase shares of a company or its holding company

There is no statutory restriction in the Cayman Islands on the provision of financial assistance by a company to another person for the purchase of, or subscription for, its own or its holding company’s shares. Accordingly, a company may provide financial assistance if our Directors of our company consider, in discharging their duties of care and acting in good faith, for a proper purpose and in the interests of our company, that such assistance can properly be given. Such assistance should be on an arm’s-length basis.

(d) Purchase of shares and warrants by a company and its subsidiaries

A company limited by shares or a company limited by guarantee and having a share capital may, if so authorised by its articles of association, issue shares which are to be redeemed or are liable to be redeemed at the option of our company or a shareholder and the Cayman Companies Act expressly provides that it shall be lawful for the rights attaching to any shares to be varied, subject to the provisions of our company’s articles of association, so as to provide that such shares are to be or are liable to be so redeemed. In addition, such a company may, if authorised to do so by its articles of association, purchase its own shares, including any redeemable shares. However, if the articles of association do not authorise the manner and terms of purchase, a company cannot purchase any of its own shares unless the manner and terms of purchase have first been authorised by an ordinary resolution of our company. At no time may a company redeem or purchase its shares unless they are fully paid. A company may not redeem or purchase any of its shares if, as a

result of the redemption or purchase, there would no longer be any issued shares of our company other than shares held as treasury shares. A payment out of capital by a company for the redemption or purchase of its own shares is not lawful unless immediately following the date on which the payment is proposed to be made, our company shall be able to pay its debts as they fall due in the ordinary course of business.

Shares purchased by a company is to be treated as cancelled unless, subject to the memorandum and articles of association of our company, our Directors of our company resolve to hold such shares in the name of our company as treasury shares prior to the purchase. Where shares of a company are held as treasury shares, our company shall be entered in the register of members as holding those shares, however, notwithstanding the foregoing, our company is not be treated as a member for any purpose and must not exercise any right in respect of the treasury shares, and any purported exercise of such a right shall be void, and a treasury share must not be voted, directly or indirectly, at any meeting of our company and must not be counted in determining the total number of issued shares at any given time, whether for the purposes of our company's articles of association or the Cayman Companies Act.

A company is not prohibited from purchasing and may purchase its own warrants subject to and in accordance with the terms and conditions of the relevant warrant instrument or certificate. There is no requirement under Cayman Islands law that a company's memorandum or articles of association contain a specific provision enabling such purchases and our Directors of a company may rely upon the general power contained in its memorandum of association to buy and sell and deal in personal property of all kinds.

Under Cayman Islands law, a subsidiary may hold shares in its holding company and, in certain circumstances, may acquire such shares.

(e) Dividends and distributions

The Cayman Companies Act permits, subject to a solvency test and the provisions, if any, of a company's memorandum and articles of association, the payment of dividends and distributions out of the share premium account. With the exception of the foregoing, there are no statutory provisions relating to the payment of dividends. Based upon English case law, which is regarded as persuasive in the Cayman Islands, dividends may be paid only out of profits.

No dividend may be declared or paid, and no other distribution (whether in cash or otherwise) of a company's assets (including any distribution of assets to members on a winding up) may be made to our company, in respect of a treasury share.

(f) Protection of minorities and shareholders' suits

The Courts ordinarily would be expected to follow English case law precedents which permit a minority shareholder to commence a representative action against or derivative actions in the name of a company to challenge (a) an act which is ultra vires our company or illegal, (b) an act which constitutes a fraud against the minority and the wrongdoers are themselves in control of our company, and (c) an irregularity in the passing of a resolution which requires a qualified (or special) majority.

In the case of a company (not being a bank) having a share capital divided into shares, the Court may, on the application of members holding not less than one fifth of the shares of our company in issue, appoint an inspector to examine into the affairs of our company and to report thereon in such manner as the Court shall direct.

Any shareholder of a company may petition the Court which may make a winding up order if the Court is of the opinion that it is just and equitable that our company should be wound up or, as an alternative to a winding up order, (a) an order regulating the conduct of our company's affairs in the future, (b) an order requiring our company to refrain from doing or continuing an act complained of by the shareholder petitioner or to do an act which the shareholder petitioner has complained it has omitted to do, (c) an order authorising civil proceedings to be brought in the name and on behalf of our company by the shareholder petitioner on such terms as the Court may direct, or (d) an order providing for the purchase of the shares of any shareholders of our company by other shareholders or by our company itself and, in the case of a purchase by our company itself, a reduction of our company's capital accordingly.

Generally claims against a company by its shareholders must be based on the general laws of contract or tort applicable in the Cayman Islands or their individual rights as shareholders as established by a company's memorandum and articles of association.

(g) Disposal of assets

The Cayman Companies Act contains no specific restrictions on the power of directors to dispose of assets of a company. However, as a matter of general law, every officer of a company, which includes a director, managing director and secretary, in exercising his powers and discharging his duties must do so honestly and in good faith with a view to the best interests of our company and exercise the care, diligence and skill that a reasonably prudent person would exercise in comparable circumstances.

(h) Accounting and auditing requirements

A company must cause proper books of account to be kept with respect to (i) all sums of money received and expended by our company and the matters in respect of which the receipt and expenditure takes place; (ii) all sales and purchases of goods by our company; and (iii) the assets and liabilities of our company.

Proper books of account shall not be deemed to be kept if there are not kept such books as are necessary to give a true and fair view of the state of our company's affairs and to explain its transactions.

An exempted company must make available at its registered office in electronic form or any other medium, copies of its books of account or parts thereof as may be required of it upon service of an order or notice by the Tax Information Authority pursuant to the Tax Information Authority Act of the Cayman Islands.

(i) Exchange control

There are no exchange control regulations or currency restrictions in the Cayman Islands.

(j) Taxation

Pursuant to the Tax Concessions Act of the Cayman Islands, our Company has obtained an undertaking:

- (1) that no law which is enacted in the Cayman Islands imposing any tax to be levied on profits, income, gains or appreciation shall apply to our Company or its operations; and
- (2) that the aforesaid tax or any tax in the nature of estate duty or inheritance tax shall not be payable on or in respect of the shares, debentures or other obligations of our Company.

The undertaking for our Company is for a period of twenty years from 3 December 2021.

The Cayman Islands currently levy no taxes on individuals or corporations based upon profits, income, gains or appreciations and there is no taxation in the nature of inheritance tax or estate duty. There are no other taxes likely to be material to our Company levied by the Government of the Cayman Islands save for certain stamp duties which may be applicable, from

time to time, on certain instruments executed in or brought within the jurisdiction of the Cayman Islands. The Cayman Islands are a party to a double tax treaty entered into with the United Kingdom in 2010 but otherwise is not party to any double tax treaties.

(k) Stamp duty on transfers

No stamp duty is payable in the Cayman Islands on transfers of shares of Cayman Islands companies except those which hold interests in land in the Cayman Islands.

(l) Loans to directors

There is no express provision in the Cayman Companies Act prohibiting the making of loans by a company to any of its directors.

(m) Inspection of corporate records

Members of a company have no general right under the Cayman Companies Act to inspect or obtain copies of the register of members or corporate records of our company. They will, however, have such rights as may be set out in our company's Articles.

(n) Register of members

An exempted company may maintain its principal register of members and any branch registers at such locations, whether within or without the Cayman Islands, as our Directors may, from time to time, think fit. A branch register must be kept in the same manner in which a principal register is by the Cayman Companies Act required or permitted to be kept. A company shall cause to be kept at the place where our company's principal register is kept a duplicate of any branch register duly entered up from time to time.

There is no requirement under the Cayman Companies Act for an exempted company to make any returns of members to the Registrar of Companies of the Cayman Islands. The names and addresses of the members are, accordingly, not a matter of public record and are not available for public inspection. However, an exempted company shall make available at its registered office, in electronic form or any other medium, such register of members, including any branch register of members, as may be required of it upon service of an order or notice by the Tax Information Authority pursuant to the Tax Information Authority Act of the Cayman Islands.

(o) Register of Directors and Officers

A company is required to maintain at its registered office a register of directors and officers which is not available on display. A copy of such register must be filed with the Registrar of Companies in the Cayman Islands and any change must be notified to the Registrar within thirty (30) days of any change in such directors or officers.

(p) Beneficial Ownership Register

An exempted company is required to maintain a beneficial ownership register at its registered office that records details of the persons who ultimately own or control, directly or indirectly, more than 25% of the equity interests or voting rights of our company or have rights to appoint or remove a majority of our Directors of our company. The beneficial ownership register is not a public document and is only accessible by a designated competent authority of the Cayman Islands.

Such requirement does not, however, apply to an exempted company with its shares listed on an approved stock exchange, which includes the Stock Exchange. Accordingly, for so long as the shares of a company are listed on the Stock Exchange, the company is not required to maintain a beneficial ownership register.

(q) Winding up

A company may be wound up (a) compulsorily by order of the Court, (b) voluntarily, or (c) under the supervision of the Court.

The Court has authority to order winding up in a number of specified circumstances including where the members of our company have passed a special resolution requiring our company to be wound up by the Court, or where our company is unable to pay its debts, or where it is, in our opinion of the Court, just and equitable to do so. Where a petition is presented by members of the company as contributories on the ground that it is just and equitable that our company should be wound up, the Court has the jurisdiction to make certain other orders as an alternative to a winding-up order, such as making an order regulating the conduct of our company's affairs in the future, making an order authorising civil proceedings to be brought in the name and on behalf of our company by the petitioner on such terms as the Court may direct, or making an order providing for the purchase of the shares of any of the members of our company by other members or by our company itself.

A company (save with respect to a limited duration company) may be wound up voluntarily when our company so resolves by special resolution or when our company in general meeting resolves by ordinary resolution that it be wound up voluntarily because it is unable to pay its debts as they fall due. In the case of a voluntary winding up, such company is obliged to cease to carry on its business (except so far as it may be beneficial for its winding up) from the time of passing the resolution for voluntary winding up or upon the expiry of the period or the occurrence of the event referred to above.

For the purpose of conducting the proceedings in winding up a company and assisting the Court therein, there may be appointed an official liquidator or official liquidators; and the court may appoint to such office such person, either provisionally or otherwise, as it thinks fit, and if more persons than one are appointed to such office, the Court must declare whether any act required or authorised to be done by the official liquidator is to be done by all or any one or more of such persons. The Court may also determine whether any and what security is to be given by an official liquidator on his appointment; if no official liquidator is appointed, or during any vacancy in such office, all the property of our company shall be in the custody of the Court.

As soon as the affairs of our company are fully wound up, the liquidator must make a report and an account of the winding up, showing how the winding up has been conducted and how the property of our company has been disposed of, and thereupon call a general meeting of our company for the purposes of laying before it the account and giving an explanation thereof. This final general meeting must be called by at least 21 days' notice to each contributory in any manner authorised by our company's articles of association and published in the Gazette.

(r) Reconstructions

There are statutory provisions which facilitate reconstructions and amalgamations approved by (i) seventy-five per cent. (75%) in value of shareholders or class of shareholders, or (ii) a majority in number representing seventy-five per cent. (75%) in value of creditors, as the case may be, as are present and voting either in person or by proxy at a meeting called for such purpose and thereafter sanctioned by the Court. Whilst a dissenting shareholder would have the right to express to the Court his view that the transaction for which approval is sought would not provide the shareholders with a fair value for their shares, the Court is unlikely to disapprove the transaction on that ground alone in the absence of evidence of fraud or bad faith on behalf of management and if the transaction were approved and consummated the dissenting shareholder would have no rights comparable to the appraisal rights (i.e. the right to receive payment in cash for the judicially determined value of his shares ordinarily available, for example, to dissenting shareholders of United States corporations.

(s) Take-overs

Where an offer is made by a company for the shares of another company and, within four (4) months of the offer, the holders of not less than ninety per cent. (90%) of the shares which are the subject of the offer accept, the offeror may at any time within two (2) months after the expiration of the said four (4) months, by notice in the prescribed manner require the dissenting shareholders to transfer their shares on the terms of the offer. A dissenting shareholder may apply to the Court within one (1) month of the notice objecting to the transfer. The burden is on the dissenting shareholder to show that the Court should exercise its discretion, which it will be unlikely to do unless there is evidence of fraud or bad faith or collusion as between the offeror and the holders of the shares who have accepted the offer as a means of unfairly forcing out minority shareholders.

(t) Indemnification

Cayman Islands law does not limit the extent to which a company's articles of association may provide for indemnification of officers and directors, except to the extent any such provision may be held by the Court to be contrary to public policy (e.g. for purporting to provide indemnification against the consequences of committing a crime).

4. GENERAL

Ogier, our Company's legal counsel as to Cayman Islands law, have sent to our Company a letter of advice summarising certain aspects of Cayman Companies Act. This letter, together with a copy of the Cayman Companies Act, is available on display as referred to in the section headed "Documents Delivered to the Registrar of Companies and Available on Display — Documents Available on Display" in Appendix V to this prospectus. Any person wishing to have a detailed summary of Cayman Companies Act or advice on the differences between it and the laws of any jurisdiction with which he/she is more familiar with is recommended to seek independent legal advice.

A. FURTHER INFORMATION ABOUT OUR GROUP**1. Incorporation of Our Company**

We were incorporated in the Cayman Islands on June 24, 2021 under the Companies Act as an exempted company with limited liability. Accordingly, our corporate structure and Articles of Association are subject to the relevant laws of the Cayman Islands. A summary of our Articles of Association is set out in Appendix III to this prospectus.

Our registered place of business in Hong Kong is at 5/F, Manulife Place, 348 Kwun Tong Road, Kowloon, Hong Kong. We were registered as a non-Hong Kong company under Part 16 of the Companies Ordinance on December 21, 2021. Ms. Chan Sau Ling of 5/F, Manulife Place, 348 Kwun Tong Road, Kowloon, Hong Kong has been appointed as our agent for the acceptance of service of process and notices in Hong Kong.

2. Changes in the Share Capital of Our Company

As of the date of our incorporation, our authorized share capital was US\$50,000, divided into 5,000,000,000 shares of par value of US\$0.00001 each.

On June 24, 2021, immediately after the incorporation of our Company, one ordinary share was issued and allotted to an initial subscriber, which on the same day was transferred to Wang BVI at the subscription price of US\$0.00001. On the same day, a total of additional 99,999 ordinary shares were issued to Wang BVI at the subscription price of US\$0.99999.

On November 22, 2021 and December 16, 2021, our Company adjusted the shareholding proportion by allotting and issuing an aggregate of 66,509,040 new Shares and 49,508,770 new Shares for cash at par value to the shareholders of Ophyer Technology or the holding entities wholly owned or designated by such shareholders (as the case may be) to reflect their respective equity interest in Ophyer Technology.

For further details on the reorganization before the Global Offering, see the paragraph headed “History, Development and Corporate Structure — Reorganization” in this prospectus.

For further details on our share capital during the Reorganization and following the completion of the Global Offering, see the section headed “Share Capital” in this prospectus.

Save as disclosed above, there has been no alteration in our share capital within two years immediately preceding the date of this prospectus.

3. Changes in the Share Capital of Our Subsidiaries

A summary of the corporate information and the particulars of our subsidiaries are set out in Note 1 and Note 37 to the Accountants' Report in Appendix I to this prospectus. The following alterations in the share capital of our subsidiaries have taken place within the two years immediately preceding the date of this prospectus:

Beijing Flowing Cloud

On March 2, 2022, the registered capital of Beijing Flowing Cloud increased from RMB10 million to RMB50 million.

Ophyer Technology

Between July 2020 and November 2021, Ophyer Technology entered into various capital increase agreements with our Pre-IPO Investors which resulted in alterations in the registered capital of Ophyer Technology. For further details, see the paragraph headed "History, Development and Corporate Structure — Pre-IPO Investments" in this prospectus.

Hupo Jinyuan

On July 17, 2020, the registered capital of Hupo Jinyuan increased from RMB500,000 to RMB10,000,000.

Shenzhen Huachuang

On January 12, 2021, Shenzhen Huachuang was established as a limited liability company under the laws of the PRC as a wholly-owned subsidiary of Ophyer Technology with an initial registered capital of RMB40,000,000.

Beijing Xingshi

On April 10, 2020, Beijing Xingshi was established as a limited liability company under the laws of the PRC with an initial registered capital of RMB1,000,000. On June 21, 2021, the registered capital of Beijing Xingshi increased from RMB1,000,000 to RMB10,000,000.

Beijing Digital

On August 18, 2022, Beijing Digital was established as a limited liability company under the laws of the PRC as a wholly-owned subsidiary of Beijing Flowing Cloud with an initial registered capital of RMB50,000,000.

4. Resolutions of the Shareholders of our Company Passed on September 8, 2022

Pursuant to the resolutions passed at a duly convened general meeting of our Shareholders on September 8, 2022, it was resolved, among others:

- (a) to approve and adopt the Memorandum with effect from the Listing Date;
- (b) to approve and adopt the Articles of Association with effect from the Listing Date;
- (c) conditional on (i) the Listing Committee of the Stock Exchange granting the listing of, and permission to deal in, the Shares in issue and to be issued (pursuant to the Capitalization Issue, the Global Offering and the exercise of the Over-allotment Option and the exercise of any options which may be granted under the Post-IPO Share Option Scheme); and (ii) the obligations of the Hong Kong Underwriters and the International Underwriters under the respective Underwriting Agreements becoming and remaining unconditional (including, if relevant, as a result of the waiver of any condition(s) by the Sole Sponsor, the Joint Global Coordinators, the Joint Lead Managers and the Joint Bookrunners (as the case may be) (on behalf of the Hong Kong Underwriters and the International Underwriters) and the Underwriting Agreements not being terminated in accordance with the terms therein or otherwise:
 - (1) to approve the Global Offering and the Over-allotment Option and the issue of new Shares pursuant to the Global Offering and the Over-allotment Option subject to the terms and conditions stated in this prospectus and the Green Application Form;
 - (2) the Listing be approved and the Directors be authorised to implement the Listing;
 - (3) the rules of the Post-IPO Share Option Scheme be approved and adopted with effect from the Listing Date and the Directors be authorized to grant options to subscribe for Shares thereunder and to allot, issue and deal with Shares pursuant to the exercise of options granted under the Post-IPO Share Option Scheme and to take all such actions as may be necessary and/or desirable to implement and give effect to the Post-IPO Share Option Scheme;

- (d) to approve the capitalization and the issue of Shares of all or a portion, as the case may be, of the balance of the share premium account and applying such sum in paying up in full at nominal value a total of 1,422,382,190 Shares for allotment and issue to the holders of the Shares on the register of members of the Company at the close of business on the date immediately preceding the date on which the Listing becomes unconditional in proportion to their respective shareholdings in the Company (save that no Shareholder shall be entitled to be allotted or issued any fraction of a Share), and the Shares to be allotted and issued shall rank *pari passu* in all respects with the existing issued Shares, conditional upon the share premium account of the Company having sufficient balance, or otherwise being credited as a result of the issue of Offer Shares pursuant to the Global Offering;
- (e) to grant a general unconditional mandate to the Directors to exercise all powers of the Company to, *inter alia*, allot, issue and deal with Shares not exceeding 20% of the aggregate number of Shares in issue immediately following the completion of the Capitalization Issue and the Global Offering (but excluding any Shares which may be allotted and issued pursuant to the exercise of the Over-allotment Option and any options which may be granted under the Post-IPO Share Option Scheme). This mandate does not cover Shares to be allotted, issued or dealt with under a rights issue, any scrip dividend scheme or similar arrangement providing for the allotment of Shares in lieu of the whole or part of a dividend on Shares in accordance with the New Articles, specific authority granted by the Shareholders in general meeting and options which may be granted under the Post-IPO Share Option Scheme. Such mandate will expire: (i) at the conclusion of the next annual general meeting of the Company; (ii) at the end of the period within which the next annual general meeting of the Company is required to be held under the applicable laws or the New Articles; or (iii) when revoked or varied by an ordinary resolution of the Shareholders at a general meeting of the Company, whichever occurs first;
- (f) to grant a general unconditional mandate to the Directors to exercise all powers of the Company to repurchase Shares with an aggregate number of Shares not exceeding 10% of the aggregate number of Shares in issue immediately following the Capitalization Issue and the Global Offering (but excluding any Shares which may be allotted and issued pursuant to the exercise of the Over-allotment Option and any options which may be granted under the Post-IPO Share Option Scheme). This mandate only relates to repurchases made on the Stock Exchange or on any other stock exchange on which the Shares may be listed (and which is recognized by the SFC and the Stock Exchange for this purpose) and which are in accordance with all applicable laws and regulations. Such mandate will expire: (i) at the conclusion of the next annual general meeting of the Company; (ii) at the end of the period within which the next annual general meeting of

the Company is required to be held under the applicable laws or the New Articles; or (iii) when revoked or varied by an ordinary resolution of the Shareholders at a general meeting of the Company, whichever occurs first;

- (g) to extend the general unconditional mandate granted to Directors as referred to in (6) above by the addition to the aggregate number of the Shares which may be allotted and issued or agreed to be allotted and issued by the Directors pursuant to such general mandate of an amount representing the aggregate number of the Shares repurchased by our Company pursuant to the mandate to repurchase Shares referred to in (6) above (up to 10% of the aggregate number of the Shares in issue immediately following the Capitalization Issue and the Global Offering (but excluding any Shares which may be allotted and issued pursuant to the exercise of the Over-allotment Option and any options which may be granted under the Post-IPO Share Option Scheme).

5. Repurchase of our Shares

This section sets out information required by the Stock Exchange to be included in this prospectus concerning the repurchase by us of our own Shares.

(a) Provisions of the Listing Rules

The Listing Rules permit companies with a primary listing on the Stock Exchange to repurchase their own Shares on the Stock Exchange subject to certain restrictions, the more important of which are summarized below:

(i) Shareholders' Approval

All proposed repurchase of Shares (which must be fully paid up in the case of shares) by a company with a primary listing on the Stock Exchange must be approved in advance by an ordinary resolution of the shareholders, either by way of general mandate or by specific approval of a particular transaction.

(ii) Source of Funds

Repurchases must be funded out of funds legally available for the purpose in accordance with the constitutive documents of a listed company, the laws of the jurisdiction in which the listed company is incorporated or otherwise established. A listed company may not repurchase its own securities on the Stock Exchange for a consideration other than cash or for settlement otherwise than in accordance with the trading rules of the Stock Exchange from time to time. Subject to the foregoing, any repurchases by a listed company may be made out of the funds which would

otherwise be available for dividend or distribution or out of the proceeds of a new issue of shares made for the purpose of the repurchase. Any amount of premium payable on the purchase over the par value of the shares to be repurchased must be out of the funds which would otherwise be available for dividend or distribution or from sums standing to the credit of our share premium account.

(iii) Trading Restrictions

The total number of shares which a listed company may repurchase on the Stock Exchange is the number of shares representing up to a maximum of 10% of the aggregate number of shares in issue.

A company may not make a new issue or announce a proposed new issue of shares for a period of 30 days after any repurchase (other than an issue of securities pursuant to an exercise of warrants, share options or similar instruments requiring the listed company to issue securities which were outstanding prior to such repurchase) without the prior approval of the Stock Exchange.

In addition, a listed company is prohibited from repurchasing its shares on the Stock Exchange if the purchase price is 5% or more than the average closing market price for the five preceding trading days on which its shares were traded on the Stock Exchange.

The Listing Rules also prohibit a listed company from repurchasing its securities which are in the hands of the public falling below the relevant prescribed minimum percentage as required by the Stock Exchange.

A company is required to procure that the broker appointed by it to effect a repurchase of securities discloses to the Stock Exchange such information with respect to the repurchase made on behalf of the listed company as the Stock Exchange may require.

A listed company may not make any repurchase of shares after inside information has come to its knowledge until the information is made publicly available. In particular, during the period of one month immediately preceding the earlier of: (i) the date of the board meeting (as such date is first notified to the Stock Exchange in accordance with the Listing Rules) for the approval of a listed company's results for any year, half-year, quarterly or any other interim period (whether or not required under the Listing Rules); and (ii) the deadline for a listed company to announce its results for any year or half-year under the Listing Rules, or quarterly or any other interim period (whether or not required under the Listing Rules) and ending on the date of the results announcement, the listed company may not repurchase its shares on the Stock Exchange other than in exceptional circumstances.

(iv) Status of Repurchased Shares

All repurchased securities (whether effected on the Stock Exchange or otherwise) will be automatically delisted and the certificates for those securities must be cancelled and destroyed.

(v) Reporting Requirements

Certain information relating to repurchases of shares on the Stock Exchange or otherwise must be reported to the Stock Exchange not later than 30 minutes before the earlier of the commencement of the morning trading session or any pre-opening session on the following business day on which the listed company makes a purchase of its shares. The report must state the total number of shares purchased by the listed company the previous day, the purchase price per share or the highest and lowest prices paid for such purchases. In addition, a listed company's annual report is required to disclose details regarding repurchases of shares made during the year, including the number of shares repurchased each month (whether on the Stock Exchange or otherwise), the purchase price per share or the highest and lowest price paid for all such purchases, where relevant, and the aggregate price paid.

(vi) Core Connected Persons

A listed company is prohibited from knowingly repurchasing its shares from a “core connected person”, that is, a director, chief executive or substantial shareholder of the company or any of its subsidiaries or their close associates and a core connected person is prohibited from knowingly selling its shares to the company.

(b) Reasons for Repurchase

Our Directors believe that it is in the best interest of us and our Shareholders for our Directors to have general authority from the Shareholders to enable us to repurchase Shares in the market. Such repurchases may, depending on market conditions and funding arrangements at the time, lead to an enhancement of the net asset value per Share and/or earnings per Share and will only be made where our Directors believe that such repurchases will benefit us and our Shareholders.

(c) Funding of Repurchases

In repurchasing securities, we may only apply funds legally available for such purpose in accordance with the Memorandum of Association and Articles of Association, the Companies Law or other applicable laws of Cayman Islands and the Listing Rules. On the basis of our current financial condition as disclosed in this prospectus and taking into account our current working

capital position, our Directors consider that, if the Repurchase Mandate were to be exercised in full, it might have a material adverse effect on our working capital and/or our gearing position as compared with the position disclosed in this prospectus. However, our Directors do not propose to exercise the repurchase mandate to such an extent as would, in the circumstances, have a material adverse effect on our working capital requirements or the gearing levels which in the opinion of our Directors are from time to time appropriate for us.

(d) General

Exercise in full of the current repurchase mandate, on the basis of 1,810,000,000 Shares in issue after completion of the Global Offering (without taking into account of the Shares which may be allotted and issued pursuant to the exercise of the Over-allotment Option or the exercise of options which may be granted under the Post-IPO Share Option Scheme), could accordingly result in up to 181,000,000 Shares being repurchased by us during the period prior to:

- (i) the conclusion of our next annual general meeting;
- (ii) the expiration of the period within which the next annual general meeting of our Company is required by any applicable law or the Articles of Association to be held; or
- (iii) the date on which the repurchase mandate is varied or revoked by an ordinary resolution of our Shareholders in general meeting,

whichever is the earliest.

None of our Directors nor, to the best of their knowledge having made all reasonable enquiries, any of their close associates (as defined in the Listing Rules) currently intends to sell any Shares to us or our subsidiaries. Our Directors have undertaken with the Stock Exchange that, so far as the same may be applicable, they will exercise the repurchase mandate in accordance with the Listing Rules, the Memorandum of Association and Articles of Association, the Companies Act or any other applicable laws of Cayman Islands.

If, as a result of a repurchase of our Shares pursuant to the repurchase mandate, a Shareholder's proportionate interest in our voting rights is increased, such increase will be treated as an acquisition for the purpose of the Takeovers Code. Accordingly, a Shareholder or a group of Shareholders acting in concert could obtain or consolidate control of us and become obliged to make a mandatory offer in accordance with Rule 26 of the Takeovers Code. Save as aforesaid, our Directors are not aware of any consequences which would arise under the Takeovers Code as a consequence of any repurchases pursuant to the repurchase mandate.

No core connected person, as defined in the Listing Rules, has notified us that he/she or it has a present intention to sell his/her or its Shares to us, or has undertaken not to do so, if the repurchase mandate is exercised.

B. FURTHER INFORMATION ABOUT THE BUSINESS OF OUR COMPANY

1. Summary of Material Contracts

The following contracts (not being contracts entered into in the ordinary course of business) were entered into by our Group within the two years preceding the date of this prospectus and are or may be material:

- (1) the capital increase agreement dated December 2, 2020 entered into among SAIF Dynamiques, Ophyer Technology, Mr. Wang, Shanghai Shiao, Shanghai Wangyue and Mr. Li, pursuant to which SAIF Dynamiques invested RMB30,000,000 for 4.76% of the shareholding of Ophyer Technology;
- (2) the capital increase supplemental agreement dated December 2, 2020 entered into among SAIF Dynamiques, Ophyer Technology, Mr. Wang, Shanghai Shiao, Shanghai Wangyue and Mr. Li, which sets out certain performance commitments, conditions for share redemptions and other special rights;
- (3) the capital increase supplemental agreement II dated December 2, 2020 entered into among SAIF Dynamiques, Ophyer Technology, Mr. Wang, Shanghai Shiao and Shanghai Wangyue, which sets out post-investment commitments of the parties and additional conditions for share redemptions;
- (4) the capital increase agreement dated January 25, 2021 entered into among Tongchuang Weiye, Ophyer Technology, Mr. Wang, Shanghai Shiao and Shanghai Wangyue, pursuant to which Tongchuang Weiye invested RMB45,000,000 for 6.43% of the shareholding of Ophyer Technology;
- (5) the capital increase supplemental agreement dated January 25, 2021 entered into among Tongchuang Weiye, Ophyer Technology, Mr. Wang, Shanghai Shiao and Shanghai Wangyue, which sets out certain performance commitments, conditions for share redemptions and other special rights;
- (6) the capital increase agreement dated January 25, 2021 entered into among Guochuang Feitian, Ophyer Technology, Mr. Wang, Shanghai Shiao and Shanghai Wangyue, pursuant to which Guochuang Feitian invested RMB15,000,000 in Ophyer Technology;

- (7) the capital increase supplemental agreement dated January 25, 2021 entered into among Guochuang Feitian, Ophyer Technology, Mr. Wang, Shanghai Shiao and Shanghai Wangyue, which sets out certain performance commitments, conditions for share redemptions, and other special rights;
- (8) the capital increase agreement dated January 25, 2021 entered into among Kaiyuan Future, Ophyer Technology, Mr. Wang, Shanghai Shiao and Shanghai Wangyue, pursuant to which Kaiyuan Future invested RMB10,000,000 for 1.43% of the shareholding of Ophyer Technology;
- (9) the capital increase supplemental agreement dated January 25, 2021 entered into among Kaiyuan Future, Ophyer Technology, Mr. Wang, Shanghai Shiao and Shanghai Wangyue, which sets out certain performance commitments, conditions for share redemptions and other special rights;
- (10) the capital increase agreement dated January 27, 2021 entered into among Grand Canal (Nanjing), Ophyer Technology, Mr. Wang, Shanghai Shiao and Shanghai Wangyue, pursuant to which Grand Canal (Nanjing) invested RMB30,000,000 for 4.14% of the shareholding of Ophyer Technology;
- (11) the capital increase supplemental agreement dated January 27, 2021 entered into among Grand Canal (Nanjing), Ophyer Technology, Mr. Wang, Shanghai Shiao and Shanghai Wangyue, which sets out certain performance commitments, conditions for share redemptions and other special rights;
- (12) the capital increase framework agreement dated January 29, 2021 entered into among Mr. Wang King Cheong Tommy (王景昌), Ophyer Technology, Mr. Wang, Shanghai Shiao and Shanghai Wangyue, pursuant to which Mr. Wang King Cheong Tommy (王景昌) agreed to invest RMB3,000,000 directly in our Company;
- (13) the share transfer agreement dated April 12, 2021 entered into among Ningbo Midu, Ophyer Technology, Mr. Wang, Shanghai Shiao, Shanghai Wangyue and Xi'an Biyue, pursuant to which Ningbo Midu agreed to pay a consideration of RMB9,000,000 to Xi'an Biyue for 2% of the shareholding of Ophyer Technology;
- (14) the share transfer supplemental agreement dated April 12, 2021 entered into among Ningbo Midu, Ophyer Technology, Mr. Wang, Shanghai Shiao, Shanghai Wangyue and Xi'an Biyue, which sets out certain conditions for share redemptions and other special rights;

- (15) the share transfer agreement dated April 23, 2021 entered into among Tianjin Xinghuo, Ophyer Technology, Mr. Wang, Shanghai Shiao, Shanghai Wangyue and Xi'an Zhiyao, pursuant to which Tianjin Xinghuo agreed to pay a consideration of RMB2,610,000 to Xi'an Zhiyao for 0.38% of the shareholding of Ophyer Technology;
- (16) the share transfer supplemental agreement dated April 23, 2021 entered into among Tianjin Xinghuo, Ophyer Technology, Mr. Wang, Shanghai Shiao, Shanghai Wangyue and Xi'an Zhiyao, which sets out certain performance commitments, conditions for share redemptions and other special rights;
- (17) the share transfer supplemental agreement II dated April 23, 2021 entered into among Tianjin Xinghuo, Ophyer Technology, Mr. Wang, Shanghai Shiao, Shanghai Wangyue and Xi'an Zhiyao, which sets out share transfer restrictions;
- (18) the capital increase supplemental agreement II dated July 2, 2021 entered into among Ms. Yi Huimin (益惠敏), Mr. Wang and Ophyer Technology, which sets out revisions to the capital increase supplemental agreement;
- (19) the capital increase supplemental agreement dated July 2, 2021 entered into among Mr. Wang Chongling (王崇嶺), Hefei Shuimu, Ms. Song Lifang (宋麗芳), Ms. Yi Huimin (益惠敏), Mr. Wang and Ophyer Technology, which sets out revisions to the capital increase agreement;
- (20) the capital increase supplemental agreement dated July 2, 2021 entered into among Ophyer Technology, Mr. Wang, Mr. Li, Shanghai Shiao, Shanghai Wangyue, Shanghai Peishang Enterprise Management Consulting Center (Limited Partnership)* (上海佩尚企業管理諮詢中心(有限合夥)), Hefei Shuimu, Mr. Wang Chongling (王崇嶺) and Shaanxi Big Data, which set out revisions to the capital increase agreement;
- (21) the capital increase supplemental agreement II dated July 2, 2021 entered into among Ms. Song Lifang (宋麗芳), Mr. Wang and Ophyer Technology, which sets out revisions to the capital increase supplemental agreement;
- (22) the capital increase supplemental agreement II dated July 2, 2021 entered into among Mr. Wang Chongling (王崇嶺), Mr. Wang and Ophyer Technology, which sets out revisions to the capital increase supplemental agreement;

- (23) the capital increase supplemental agreement III dated July 2, 2021 entered into among SAIF Dynamiques, Ophyer Technology, Mr. Wang, Shanghai Shiao, Shanghai Wangyue and Mr. Li, which sets out revisions to the capital increase agreement, the capital increase supplemental agreement I and the capital increase supplemental agreement II;
- (24) the capital increase supplemental agreement II dated July 2, 2021 entered into among Tongchuang Weiye, Ophyer Technology, Mr. Wang, Shanghai Shiao and Shanghai Wangyue, which sets out revisions to the capital increase agreement and the capital increase supplemental agreement;
- (25) the capital increase supplemental agreement II dated July 2, 2021 entered into among Kaiyuan Future, Ophyer Technology, Mr. Wang, Shanghai Shiao and Shanghai Wangyue, which sets out revisions to the capital increase agreement and the capital increase supplemental agreement;
- (26) the capital increase supplemental agreement II dated July 2, 2021 entered into among Grand Canal (Nanjing), Ophyer Technology, Mr. Wang, Shanghai Shiao and Shanghai Wangyue, which sets out revisions to the capital increase agreement and the capital increase supplemental agreement;
- (27) the share transfer supplemental agreement II dated July 2, 2021 entered into among Ningbo Midu, Ophyer Technology, Mr. Wang, Shanghai Shiao, Shanghai Wangyue and Xi'an Biyue, which sets out revisions to the share transfer agreement and the share transfer supplemental agreement;
- (28) the share transfer supplemental agreement III dated July 2, 2021 entered into among Tianjin Xinghuo, Ophyer Technology, Mr. Wang, Shanghai Shiao, Shanghai Wangyue and Xi'an Zhiyao, which sets out revisions to the share transfer agreement and the share transfer supplemental agreement I;
- (29) the capital increase supplemental agreement II dated July 2, 2021 entered into among Hefei Shuimu, Mr. Wang and Ophyer Technology, which sets out revisions to the capital increase supplemental agreement;
- (30) the capital increase supplemental agreement II dated July 2, 2021 entered into among Guochuang Feitian, Ophyer Technology, Mr. Wang, Shanghai Shiao and Shanghai Wangyue, which sets out revisions to the capital increase agreement and the capital increase supplemental agreement;

- (31) the capital increase agreement dated September 24, 2021 entered into among Zhongtong Xinyuan, Ophyer Technology, Mr. Wang, Shanghai Shiao and Shanghai Wangyue, pursuant to which Zhongtong Xinyuan invested RMB10,000,000 for 0.71% of shareholding of Ophyer Technology;
- (32) the capital increase supplemental agreement dated September 24, 2021 entered into among Zhongtong Xinyuan, Ophyer Technology, Mr. Wang, Shanghai Shiao and Shanghai Wangyue, which sets out certain performance commitments and conditions for share redemptions;
- (33) the capital increase supplemental agreement II dated September 24, 2021 entered into among Zhongtong Xinyuan, Ophyer Technology, Mr. Wang, Shanghai Shiao and Shanghai Wangyue, which sets out revisions to the capital increase agreement and the capital increase supplemental agreement;
- (34) the capital increase agreement dated September 30, 2021 entered into among Mr. Wang King Cheong Tommy (王景昌), Ophyer Technology, Mr. Wang, our Company and Wang BVI, pursuant to which Mr. Wang King Cheong Tommy agreed to invest RMB3,000,000 for the shareholdings of our Company;
- (35) the capital increase supplemental agreement dated October 8, 2021 entered into among Mr. Wang King Cheong Tommy (王景昌), Ophyer Technology, Mr. Wang, our Company and Wang BVI, which sets out certain performance commitments, conditions for share redemptions and other special rights;
- (36) the capital increase supplemental agreement II dated October 8, 2021 entered into among Mr. Wang King Cheong Tommy (王景昌), Ophyer Technology, Mr. Wang, our Company and Wang BVI, pursuant to which Mr. Wang King Cheong Tommy agreed to adjust the investment for the shareholdings of our Company to RMB2,482,767;
- (37) the capital increase agreement dated October 19, 2021 entered into among Nanchang Xiaolan, Ophyer Technology, Mr. Wang, Shanghai Shiao and Shanghai Wangyue, pursuant to which Nanchang Xiaolan agreed to invest RMB15,000,000 for 1.06% of shareholding of Ophyer Technology;
- (38) the capital increase supplemental agreement dated October 19, 2021 entered into among Nanchang Xiaolan, Ophyer Technology, Mr. Wang, Shanghai Shiao and Shanghai Wangyue, which sets out certain performance commitments and conditions for share redemptions;

- (39) the capital increase supplemental agreement II dated October 21, 2021 entered into among Nanchang Xiaolan, Ophyer Technology, Mr. Wang, Shanghai Shiao and Shanghai Wangyue, which sets out revisions to the capital increase agreement and the capital increase supplemental agreement;
- (40) an exclusive technical consultation and services agreement dated May 6, 2022 entered into among Ophyer Technology, Beijing Xingshi, Hupo Jinyuan, Shenzhen Huachuang, Zhongrunxing and Beijing Flowing Cloud, pursuant to which our Consolidated Affiliated Entities agreed to engage Beijing Flowing Cloud as their exclusive provider of comprehensive management and consultation services;
- (41) an exclusive option agreement dated December 16, 2021 entered into among Beijing Flowing Cloud, Ophyer Technology and the Registered Shareholders, pursuant to which Beijing Flowing Cloud was irrevocably and unconditionally granted the exclusive rights to require the Registered Shareholders to transfer any or all their equity interest in Ophyer Technology and/or to require Ophyer Technology to transfer any or all of its assets to Beijing Flowing Cloud and/or a third party designated by it, at a minimum purchase price permitted under PRC laws and regulations;
- (42) an exclusive option agreement dated May 6, 2022 entered into among Beijing Flowing Cloud, Ophyer Technology, Beijing Xingshi, Hupo Jinyuan, Shenzhen Huachuang and Zhongrunxing, pursuant to which Beijing Flowing Cloud was irrevocably and unconditionally granted the exclusive rights to require Ophyer Technology to transfer any or all its equity interest in its subsidiaries and/or to require its subsidiaries to transfer any or all of its assets to Beijing Flowing Cloud and/or a third party designated by it, at a minimum purchase price permitted under PRC laws and regulations;
- (43) an equity pledge agreement dated December 16, 2021 entered into among Beijing Flowing Cloud, Ophyer Technology and the Registered Shareholders, pursuant to which each of the Registered Shareholders agreed to pledge all of their respective equity interest in Ophyer Technology to Beijing Flowing Cloud as security interest to guarantee the performance of contractual obligations and the payment of outstanding debts under the Contractual Arrangements;
- (44) an equity pledge agreement dated May 6, 2022 entered into among Beijing Flowing Cloud, Ophyer Technology, Beijing Xingshi, Hupo Jinyuan, Shenzhen Huachuang and Zhongrunxing, pursuant to which Ophyer Technology agreed to pledge all of its respective equity interest in its subsidiaries to Beijing Flowing Cloud as security interest to guarantee the performance of contractual obligations and the payment of outstanding debts under the Contractual Arrangements;

- (45) a shareholders' rights entrustment agreement dated December 16, 2021 entered into among Beijing Flowing Cloud, Ophyer Technology and the Registered Shareholders, pursuant to which, each Registered Shareholder irrevocably, unconditionally and exclusively, through their respective powers of attorney, appoints Beijing Flowing Cloud or its designated person (including our Directors and their successors and liquidator replacing our Directors but excluding the Registered Shareholders), as his/her/its attorney-in-fact to exercise such shareholder's rights in Ophyer Technology;
- (46) a shareholders' rights entrustment agreement dated May 6, 2022 entered into among Beijing Flowing Cloud, Ophyer Technology, Beijing Xingshi, Hupo Jinyuan, Shenzhen Huachuang and Zhongrunxing, pursuant to which, Ophyer Technology irrevocably, unconditionally and exclusively, through its powers of attorney, appoints Beijing Flowing Cloud or its designated person (including our Directors and their successors and liquidator replacing our Directors but excluding Ophyer Technology), as its attorney-in-fact to exercise such shareholder's rights in its subsidiaries;
- (47) the cornerstone investment agreement dated September 27, 2022 and entered into among our Company, Anji Guorong Construction Co., Ltd.* (安吉國融建設有限公司) ("**Anji Guorong**") and Shenwan Hongyuan Capital (H.K.) Limited, pursuant to which our Company agreed to allot and issue and Anji Guorong agreed to subscribe for such number of Shares which may be purchased with Hong Kong dollar equivalent to RMB50 million at the Offer Price;
- (48) the cornerstone investment agreement dated September 27, 2022 and entered into among our Company, Anji Qicai Lingfeng Rural Tourism Investment Co., Ltd. (安吉七彩靈峰鄉村旅遊投資有限公司) ("**Qicai Lingfeng**") and Shenwan Hongyuan Capital (H.K.) Limited, pursuant to which our Company agreed to allot and issue and Qicai Lingfeng agreed to subscribe for such number of Shares which may be purchased with Hong Kong dollar equivalent to RMB50 million at the Offer Price;
- (49) the cornerstone investment agreement dated September 27, 2022 and entered into among our Company, Zhejiang Tianzihu Industry Investment Co., Ltd.* (浙江天子湖實業投資有限公司) ("**Zhejiang Tianzihu**") and Shenwan Hongyuan Capital (H.K.) Limited, pursuant to which our Company agreed to allot and issue and Zhejiang Tianzihu agreed to subscribe for such number of Shares which may be purchased with Hong Kong dollar equivalent to RMB50 million at the Offer Price;

- (50) the cornerstone investment agreement dated September 27, 2022 and entered into among our Company, SensePower Management Limited (“**SensePower**”) and Shenwan Hongyuan Capital (H.K.) Limited, pursuant to which our Company agreed to allot and issue and SensePower agreed to subscribe for such number of Shares which may be purchased with Hong Kong dollar equivalent to USD2 million at the Offer Price;
- (51) the cornerstone investment agreement dated September 27, 2022 and entered into among our Company, TradeGo FinTech Limited (捷利交易寶金融科技有限公司) (“**TradeGo**”) and Shenwan Hongyuan Capital (H.K.) Limited, pursuant to which our Company agreed to allot and issue and TradeGo agreed to subscribe for such number of Shares which may be purchased with Hong Kong dollar equivalent to USD500,000 at the Offer Price;
- (52) the Hong Kong Underwriting Agreement;
- (53) the Deed of Indemnity; and
- (54) the Deed of Non-Competition.











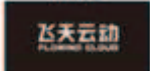
2. Our Material Intellectual Property Rights










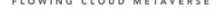

(a) Trademarks

As of the Latest Practicable Date, we had registered the following trademarks which we consider to be material to our business:







No.	Trademark	Place of registration	Name of registered proprietor	Registration no.	Class	Registration Date	Expiry date
1	守护繁星	PRC	Ophyer Technology	42329569	9	November 28, 2020	November 27, 2030
2	守护繁星	PRC	Ophyer Technology	42326377	14	August 7, 2020	August 6, 2030
3	守护繁星	PRC	Ophyer Technology	42319652	25	October 7, 2020	October 6, 2030
4	守护繁星	PRC	Ophyer Technology	42319634	24	August 7, 2020	August 6, 2030
5	守护繁星	PRC	Ophyer Technology	29021693	14	December 14, 2019	December 13, 2029
6	守护繁星	PRC	Ophyer Technology	29020146	28	December 14, 2019	December 13, 2029
7	守护繁星	PRC	Ophyer Technology	29017392	25	December 14, 2019	December 13, 2029
8	守护繁星	PRC	Ophyer Technology	29010866	21	December 28, 2018	December 27, 2028
9	守护繁星	PRC	Ophyer Technology	29004855	41	December 14, 2019	December 13, 2029
10	守护繁星	PRC	Ophyer Technology	28998784	27	December 14, 2019	December 13, 2029
11	守护繁星	PRC	Ophyer Technology	28998713	9	January 28, 2020	January 27, 2030
12	掌中嘉年华	PRC	Ophyer Technology	37366262	25	December 14, 2019	December 13, 2029

No.	Trademark	Place of registration	Name of registered proprietor	Registration no.	Class	Registration Date	Expiry date
13	掌中嘉年华	PRC	Ophyer Technology	37365565	14	December 14, 2019	December 13, 2029
14	掌中嘉年华	PRC	Ophyer Technology	37364270	28	November 21, 2019	November 20, 2029
15	掌中嘉年华	PRC	Ophyer Technology	37364200	27	November 21, 2019	November 20, 2029
16	掌中嘉年华	PRC	Ophyer Technology	37355200	21	December 14, 2019	December 13, 2029
17	掌中嘉年华	PRC	Ophyer Technology	37355136	9	November 28, 2019	November 27, 2029
18	掌中嘉年华	PRC	Ophyer Technology	37348417	24	December 7, 2019	December 6, 2029
19	掌中嘉年华	PRC	Ophyer Technology	37340537	41	December 7, 2019	December 6, 2029
20	掌中飞天	PRC	Ophyer Technology	22247700	41	January 21, 2020	January 20, 2029
21	OPHYER	PRC	Ophyer Technology	55618543	38	November 28, 2021	November 27, 2031
22	OPHYER	PRC	Ophyer Technology	55618628	42	November 28, 2021	November 27, 2031
23	OPHYER	PRC	Ophyer Technology	55631088	41	November 28, 2021	November 27, 2031
24	OPHYER	PRC	Ophyer Technology	55618325	35	December 7, 2021	December 6, 2031
25	S I G H T I S T H E F U T U R E	PRC	Ophyer Technology	55641159	41	December 21, 2021	December 20, 2031
26	S I G H T I S T H E F U T U R E	PRC	Ophyer Technology	55631430	9	December 21, 2021	December 20, 2031
27	S I G H T I S T H E F U T U R E	PRC	Ophyer Technology	55620572	35	December 21, 2021	December 20, 2031
28	S I G H T I S T H E F U T U R E	PRC	Ophyer Technology	55610107	42	December 21, 2021	December 20, 2031
29	S I G H T I S T H E F U T U R E	PRC	Ophyer Technology	55610027	38	December 21, 2021	December 20, 2031


No.	Trademark	Place of registration	Name of registered proprietor	Registration no.	Class	Registration Date	Expiry date
30		PRC	Ophyer Technology	60891282	41	June 21, 2022	June 20, 2032
31		PRC	Ophyer Technology	60905290	42	June 21, 2022	June 20, 2032
32	<p>Mark A</p>  <p>Mark B</p>  <p>Mark C</p> 	Hong Kong	Our Company	305798116	9, 35, 38, 41, 42	November 10, 2021	November 9, 2031
33	<p>Mark A</p>  <p>Mark B</p>  <p>Mark C</p> 	Hong Kong	Our Company	305798107	9, 35, 38, 41, 42	November 10, 2021	November 9, 2031
34	<p>Mark A</p>  <p>Mark B</p>  <p>Mark C</p> 	Hong Kong	Our Company	305798152	9, 35, 38, 41, 42	November 10, 2021	November 9, 2031

No.	Trademark	Place of registration	Name of registered proprietor	Registration no.	Class	Registration Date	Expiry date
35	<p>Mark A</p>  <p>Mark B</p>  <p>Mark C</p> 	Hong Kong	Our Company	305798143	9, 35, 38, 41, 42	November 10, 2021	November 9, 2031
36	<p>Mark A</p>  <p>Mark B</p> 	Hong Kong	Our Company	305810265	9, 35, 38, 41, 42	November 23, 2021	November 22, 2031
37		Hong Kong	Our Company	305810319	9, 35, 38, 41, 42	November 23, 2021	November 22, 2031
38		Hong Kong	Our Company	305810300	9, 35, 38, 41, 42	November 23, 2021	November 22, 2031
39	<p>Mark A</p>  <p>Mark B</p> 	Hong Kong	Our Company	305810274	9, 35, 38, 41, 42	November 23, 2021	November 22, 2031
40		Hong Kong	Our Company	305810283	9, 35, 38, 41, 42	November 23, 2021	November 22, 2031
41		Hong Kong	Our Company	305810292	9, 35, 38, 41, 42	November 23, 2021	November 22, 2031

As of the Latest Practicable Date, we had applied for the registration of the following trademarks which we consider to be material to our business:

No.	Trademark	Place of registration	Name of applicant	Application no.	Class	Application date
1		PRC	Beijing Flowing Cloud	66547735	3	August 11, 2022
2		PRC	Beijing Flowing Cloud	66552851	5	August 11, 2022
3		PRC	Beijing Flowing Cloud	66551497	9	August 11, 2022
4		PRC	Beijing Flowing Cloud	66539805	14	August 11, 2022
5		PRC	Beijing Flowing Cloud	66554313	16	August 11, 2022
6		PRC	Beijing Flowing Cloud	66530348	21	August 11, 2022

No.	Trademark	Place of registration	Name of applicant	Application no.	Class	Application date
7		PRC	Beijing Flowing Cloud	66547769	28	August 11, 2022
8		PRC	Beijing Flowing Cloud	66530379	29	August 11, 2022
9		PRC	Beijing Flowing Cloud	66547806	30	August 11, 2022
10		PRC	Beijing Flowing Cloud	66536678	32	August 11, 2022
11		PRC	Beijing Flowing Cloud	66538290	33	August 11, 2022
12		PRC	Beijing Flowing Cloud	66531129	39	August 11, 2022
13		PRC	Beijing Flowing Cloud	66550383	43	August 11, 2022

No.	Trademark	Place of registration	Name of applicant	Application no.	Class	Application date
14		PRC	Beijing Flowing Cloud	64743774	9	May 19, 2022

(b) Patents

As of the Latest Practicable Date, we had registered the following patents which we consider to be material to our business:

No.	Patent	Place of registration	Name of patent holder	Patent no.	Class	Application date	Date of grant	Valid period
1	VR data synchronization method, devices and VR server (虛擬現實數據同步方法、裝置及虛擬現實服務器) .	PRC	Ophyer Technology	ZL202010149059.2	Invention	March 6, 2020	November 10, 2020	March 6, 2020– March 5, 2040
2	Method and devices for displaying bullet comments on VR videos (在虛擬現實視頻中顯示彈幕的方法和裝置)	PRC	Ophyer Technology	ZL201811236612.5	Invention	October 22, 2018	September 25, 2020	October 22, 2018–October 21, 2038
3	Methods of recommending advertisements and Ad recommendation server (推薦廣告的方法及廣告推薦服務器)	PRC	Ophyer Technology	ZL201410268560.5	Invention	June 16, 2014	April 19, 2017	June 16, 2014–June 15, 2034

APPENDIX IV

STATUTORY AND GENERAL INFORMATION

No.	Patent	Place of registration	Name of patent holder	Patent no.	Class	Application date	Date of grant	Valid period
4	A method for calculating the displacement of the moving human body's center of mass applied in the virtual reality system (一種應用於虛擬現實系統中的運動人體質心位移計算方法).	PRC	Ophyer Technology	ZL201810747170.4	Invention	July 9, 2018	November 26, 2021	July 9, 2018– July 8, 2038
5	A rotating base for VR device interaction (一種VR 設備交互用旋轉式底座)	PRC	Ophyer Technology	ZL202010769069.6	Invention	August 3, 2020	November 30, 2021	August 3, 2020 –August 2, 2040
6	Mobile phone cases (spin-off of Guardian of the Stars) (手機殼(守護繁星衍生品)).	PRC	Ophyer Technology	ZL201830393310.3	Design	July 20, 2018	March 15, 2019	July 20, 2018–July 19, 2033
7	A VR simulation-based mathematics system for vocational construction engineering technology specialty (一種基於VR仿真的高職建築工程技術專業數學系統).	PRC	Beijing Flowing Cloud	ZL201810011425.0	Invention	January 5, 2018	June 7, 2019	January 5, 2018– January 4, 2038

No.	Patent	Place of registration	Name of patent holder	Patent no.	Class	Application date	Date of grant	Valid period
8	A flight simulator platform from bird perspective based on virtual reality technology (一種基於虛擬現實技術的鳥類視角飛行模擬器平台)	PRC	Beijing Flowing Cloud	ZL201711288892.X	Invention	December 7, 2017	July 31, 2020	December 7, 2017–December 6, 2037
9	A virtual reality high-altitude flight experience device with centrifugal counterweight system (一種具有離心配重系統的虛擬現實高空飛行體驗裝置)	PRC	Beijing Flowing Cloud	ZL201811539833.X	Invention	December 17, 2018	July 10, 2020	December 17, 2018–December 16, 2038
10	An inspection robot inspection and supervision system based on VR technology (一種基於VR技術的巡查機器人巡視監督系統) . . .	PRC	Beijing Flowing Cloud	ZL201911226765.6	Invention	December 4, 2019	October 30, 2020	December 4, 2019–December 3, 2039

As of the Latest Practicable Date, we had applied for the registration of the following patents which we consider to be material to our business:

No.	Patent	Place of registration	Name of applicant	Application no.	Class	Application date
1	Method and devices for web-based front-end facial recognition technology (基於Web前端處理人臉識別技術的方法及裝置)	PRC	Ophyer Technology	202010873964.2	Invention	August 26, 2020
2	Method and devices for web-based front-end VR panoramic interaction function (基於Web前端處理VR全景交互功能的方法及裝置)	PRC	Ophyer Technology	202010872930.1	Invention	August 26, 2020
3	Cross-platform solution and electronic devices for AR advertising and marketing campaign (AR廣告營銷活動跨平台解決方法及電子設備) . .	PRC	Ophyer Technology	202010455373.3	Invention	May 26, 2020

(c) *Domain Names*

As of the Latest Practicable Date, our material domain names were as follows:

No.	Domain name	Registrant	Date of registration	Expiry date
1	ophyer.cn.	Ophyer Technology	May 6, 2019	May 6, 2023
2	igame123.com.	Ophyer Technology	September 25, 2008	September 25, 2023
3	ophyer.com	Ophyer Technology	March 20, 2009	March 20, 2023
4	wanjingyun.cn.	Ophyer Technology	June 2, 2021	June 2, 2023
5	wanmuyun.cn	Ophyer Technology	June 2, 2021	June 2, 2023
6	wanxueyun.cn.	Ophyer Technology	June 2, 2021	June 2, 2023
7	wanxueyun.com.	Ophyer Technology	June 2, 2021	June 2, 2023

No.	Domain name	Registrant	Date of registration	Expiry date
8	hupomob.com	Hupo Jinyuan	February 12, 2011	February 12, 2023
9	wachongcloud.com	Shenzhen Huachuang	April 16, 2021	April 16, 2023
10	starskeji.com	Beijing Xingshi	August 6, 2020	August 6, 2023
11	starskj.cn	Beijing Xingshi	September 16, 2022	September 16, 2023
12	flowingcloud.net	Beijing Flowing Cloud	November 26, 2021	November 26, 2022
13	flowingcloud.com	Beijing Flowing Cloud	July 16, 2017	July 16, 2023

(d) Copyrights

As of the Latest Practicable Date, we had registered the following copyrights which we consider to be material to our business:

(i) Software copyrights

No.	Name of Copyright	Copyright owner	Copyright registration number	Place of registration	Published date	Date of completion of development	Date of registration
1	AR planetary science education software (AR行星科普教育軟件)	Ophyer Technology	2021SR0147176	PRC	/	November 5, 2020	January 27, 2021
2	Green Mood Fairy Run software (綠色心情神仙跑軟件)	Ophyer Technology	2021SR0147410	PRC	April 20, 2020	April 15, 2020	January 27, 2021
3	Super Broker game software (非常經紀人遊戲軟件)	Ophyer Technology	2021SR0037711	PRC	/	June 5, 2020	January 19, 2021
4	VR future classroom software (VR未來課堂軟件)	Ophyer Technology	2021SR0089023	PRC	/	July 9, 2020	January 18, 2021
5	VR fire safety software (VR消防安全軟件)	Ophyer Technology	2021SR0088406	PRC	/	September 23, 2020	January 18, 2021
6	Panoramic video marketing software (全景視頻營銷軟件)	Ophyer Technology	2021SR0088439	PRC	August 10, 2020	August 8, 2020	January 18, 2021

APPENDIX IV

STATUTORY AND GENERAL INFORMATION

No.	Name of Copyright	Copyright owner	Copyright registration	Place of	Published date	Date of completion	Date of registration
			number	registration		of development	
7	VR home security hazards software (VR家庭安全隱患軟件)	Ophyer Technology	2021SR0088396	PRC	/	November 9, 2020	January 18, 2021
8	AR laptop performance introduction software (AR筆記本性能介紹軟件).	Ophyer Technology	2021SR0088405	PRC	/	October 22, 2020	January 18, 2021
9	AR car modification software (AR汽車改裝軟件)	Ophyer Technology	2021SR0088394	PRC	/	September 20, 2020	January 18, 2021
10	AR indoor interaction software (AR室內交互軟件)	Ophyer Technology	2021SR0088793	PRC	/	November 3, 2020	January 18, 2021
11	VR garbage classification software (VR垃圾分類軟件)	Ophyer Technology	2021SR0088742	PRC	/	November 15, 2020	January 18, 2021
12	VR emergency avoidance software (VR緊急避險軟件)	Ophyer Technology	2021SR0088395	PRC	/	November 12, 2020	January 18, 2021
13	Panorama shopping mall delivery software (全景商城歡樂送軟件) . .	Ophyer Technology	2021SR0088743	PRC	September 25, 2020	September 25, 2020	January 18, 2021
14	VR Ma Liang and the Magic Brush software (VR神筆馬良軟件) . . .	Ophyer Technology	2021SR0004790	PRC	/	October 20, 2019	January 4, 2021
15	VR secondary school geography software (VR中學地理軟件) . . .	Ophyer Technology	2020SR1271691	PRC	/	July 9, 2020	December 30, 2020
16	Attack, Cute Girls! game software (進擊吧，萌妹紙咩！遊戲軟件) . .	Ophyer Technology	2020SR1266962	PRC	/	June 17, 2020	December 16, 2020
17	Demon Queen of the Blood game software (血族魔妃遊戲軟件) . . .	Ophyer Technology	2020SR1266963	PRC	/	July 14, 2020	December 16, 2020
18	Beauty Like a Jade game software (美人如玉遊戲軟件)	Ophyer Technology	2020SR1266998	PRC	/	June 19, 2020	December 16, 2020
19	Sweet Girl in the Mountain game software (野山女兒香遊戲軟件) . .	Ophyer Technology	2020SR1266959	PRC	/	July 15, 2020	December 16, 2020

APPENDIX IV

STATUTORY AND GENERAL INFORMATION

No.	Name of Copyright	Copyright owner	Copyright registration	Place of	Published date	Date of completion	Date of registration
			number	registration		of development	
20	Age of Youth game software (青春四射的年代遊戲軟件)	Ophyer Technology	2020SR1266960	PRC	/	June 15, 2020	December 16, 2020
21	Yakuza God Emperor game software (極道神皇遊戲軟件)	Ophyer Technology	2020SR1266958	PRC	/	July 11, 2020	December 16, 2020
22	Mr. Ghost software (鬼先生軟件) . .	Ophyer Technology	2020SR1266961	PRC	/	June 16, 2020	December 16, 2020
23	Big Sister Swag game software (姐範遊戲軟件)	Ophyer Technology	2020SR1257875	PRC	/	July 15, 2020	November 20, 2020
24	Book name game software (書名遊戲軟件)	Ophyer Technology	2020SR1257872	PRC	/	July 22, 2020	November 20, 2020
25	Traveling a Thousand Years: Not to be your Queen game software (穿越千年：不做你的妃遊戲軟件) . .	Ophyer Technology	2020SR1257912	PRC	/	July 5, 2020	November 20, 2020
26	Close Your Eyes at Night game software (天黑請閉眼遊戲軟件) . .	Ophyer Technology	2020SR1257873	PRC	/	July 26, 2020	November 20, 2020
27	On Self-cultivation of the Nemesis game software (論宿敵的自我修養遊戲軟件)	Ophyer Technology	2020SR1257874	PRC	/	July 18, 2020	November 20, 2020
28	Dictation of the Three Gods game software (三神主宰遊戲軟件) . . .	Ophyer Technology	2020SR1257887	PRC	/	June 22, 2020	November 20, 2020
29	Rich and Dangerous Marriage game software (豪門危婚遊戲軟件) . . .	Ophyer Technology	2020SR1257895	PRC	/	July 10, 2020	November 20, 2020
30	Don't Look Back in the Middle of the Night software (半夜別回頭軟件)	Ophyer Technology	2020SR1257913	PRC	/	July 2, 2020	November 20, 2020
31	Night Watchman game software (守夜人遊戲軟件)	Ophyer Technology	2020SR1257886	PRC	/	June 25, 2020	November 20, 2020

APPENDIX IV

STATUTORY AND GENERAL INFORMATION

No.	Name of Copyright	Copyright owner	Copyright registration	Place of registration	Published date	Date of completion	
			number			of development	Date of registration
32	Wanjie AI platform software (萬界AI 平台軟件)	Ophyer Technology	2020SR1256618	PRC	November 7, 2019	November 7, 2019	November 19, 2020
33	Different Kinds of Youth game software (不一樣的青春遊戲軟件) .	Ophyer Technology	2020SR1250693	PRC	/	June 2, 2020	November 4, 2020
34	The Master game software (一哥遊戲 軟件)	Ophyer Technology	2020SR1104951	PRC	/	May 22, 2020	September 16, 2020
35	How a Micro-business is Made game software (微商是怎樣煉成的遊戲 軟件)	Ophyer Technology	2020SR1104943	PRC	/	May 20, 2020	September 16, 2020
36	King Mu and the Eight Counties game software (穆王八郡遊戲 軟件)	Ophyer Technology	2020SR1104959	PRC	/	May 17, 2020	September 16, 2020
37	Crime and Punishment game software (罰罪遊戲軟件).	Ophyer Technology	2020SR1072830	PRC	/	May 10, 2020	September 10, 2020
38	Crossing the Line of Fire: Lord of the End of the World game software (穿越火綫之末世梟雄遊戲軟件) . .	Ophyer Technology	2020SR1072822	PRC	/	May 9, 2020	September 10, 2020
39	Paint the World of Dance game software (描繪出來的舞蹈世界遊戲 軟件)	Ophyer Technology	2020SR1072798	PRC	/	May 12, 2020	September 10, 2020
40	Qin Shihuang conquers the Great Ming game software (秦始皇滅大明遊戲軟件)	Ophyer Technology	2020SR1072806	PRC	/	May 20, 2020	September 10, 2020
41	Superb Security Guard game software (超品保安遊戲軟件)	Ophyer Technology	2020SR1072838	PRC	/	May 5, 2020	September 10, 2020
42	Destiny is a Bridge game software (命運是一座橋遊戲軟件)	Ophyer Technology	2020SR1072814	PRC	/	April 28, 2020	September 10, 2020

APPENDIX IV

STATUTORY AND GENERAL INFORMATION

No.	Name of Copyright	Copyright owner	Copyright registration	Place of	Published date	Date of completion	Date of registration
			number	registration		of development	
43	Wanjie Smart Marketing platform software (萬界智慧營銷平台軟件) .	Ophyer Technology	2020SR0911994	PRC	March 13, 2018	March 13, 2018	August 11, 2020
44	AR Monster Capture game software (AR精靈捕捉遊戲軟件)	Ophyer Technology	2020SR0681492	PRC	/	March 25, 2020	June 28, 2020
45	Penguin Battle game software (企鵝大作戰遊戲軟件)	Ophyer Technology	2020SR0681739	PRC	/	March 19, 2020	June 28, 2020
46	One Less God game software (少一個神遊戲軟件)	Ophyer Technology	2020SR0681691	PRC	/	April 10, 2020	June 28, 2020
47	Fortress game software (要塞遊戲軟件)	Ophyer Technology	2020SR0681810	PRC	/	April 1, 2020	June 28, 2020
48	Beat the Beats game software (觸碰音符遊戲軟件)	Ophyer Technology	2020SR0681477	PRC	/	March 23, 2020	June 28, 2020
49	Dying Age game software (垂暮之年遊戲軟件)	Ophyer Technology	2020SR0681699	PRC	/	April 23, 2020	June 28, 2020
50	Greedy Piggy game software (貪吃的小豬遊戲軟件)	Ophyer Technology	2020SR0681802	PRC	/	March 11, 2020	June 28, 2020
51	AR Hunter game software (AR捕獵能手遊戲軟件)	Ophyer Technology	2020SR0681485	PRC	/	April 28, 2020	June 28, 2020
52	Invincible Heroes game software (無敵英雄遊戲軟件)	Ophyer Technology	2020SR0681723	PRC	/	March 6, 2020	June 28, 2020
53	Send the Ghost to the West game software (送鬼西行遊戲軟件) . . .	Ophyer Technology	2020SR0681818	PRC	/	April 3, 2020	June 28, 2020
54	Kill the Mice game software (消滅小老鼠遊戲軟件)	Ophyer Technology	2020SR0681731	PRC	/	March 2, 2020	June 28, 2020
55	Violent Man game software (暴力的男人遊戲軟件)	Ophyer Technology	2020SR0681707	PRC	/	April 30, 2020	June 28, 2020

APPENDIX IV

STATUTORY AND GENERAL INFORMATION

No.	Name of Copyright	Copyright owner	Copyright registration	Place of	Published date	Date of completion	Date of registration
			number	registration		of development	
56	Countdown to Death game software (死亡倒計時遊戲軟件)	Ophyer Technology	2020SR0681715	PRC	/	April 14, 2020	June 28, 2020
57	Gluttonous Little Tomato game software (貪吃的小番茄遊戲軟件) .	Ophyer Technology	2020SR0637456	PRC	/	February 17, 2020	June 17, 2020
58	Piggy Shower game software (小豬洗 澡遊戲軟件)	Ophyer Technology	2020SR0637464	PRC	/	February 12, 2020	June 17, 2020
59	Mini Guns AR game software (迷你 槍械AR遊戲軟件)	Ophyer Technology	2020SR0637433	PRC	/	February 19, 2020	June 17, 2020
60	AR Smash game software (AR大亂鬥 遊戲軟件)	Ophyer Technology	2020SR0637114	PRC	/	February 28, 2020	June 17, 2020
61	AR Cats game software (AR貓咪遊戲 軟件)	Ophyer Technology	2020SR0637122	PRC	/	February 26, 2020	June 17, 2020
62	Wanjie H5 cross-platform advertising and marketing campaign software (萬界H5跨平台廣告營銷活動軟件).	Ophyer Technology	2020SR0587929	PRC	March 18, 2020	March 15, 2020	June 8, 2020
63	AR Dream of the Prairie Software (AR草原夢軟件)	Ophyer Technology	2020SR0215115	PRC	/	October 15, 2019	March 5, 2020
64	Panoramic snack store software (全景 零食鋪軟件)	Ophyer Technology	2020SR0215110	PRC	/	October 15, 2019	March 5, 2020
65	Garbage classification VR experience software (垃圾分類VR體驗軟件). .	Ophyer Technology	2020SR0215121	PRC	/	August 18, 2019	March 5, 2020
66	Crossing Hip Hop Battle Software (穿越嘻哈賽場軟件)	Ophyer Technology	2020SR0215127	PRC	/	May 28, 2019	March 5, 2020
67	Passionate Summer Master Duel software (激情一夏巔峰對決軟件) .	Ophyer Technology	2020SR0204094	PRC	/	May 15, 2019	March 3, 2020
68	AR Dim sum Battle Software (AR點 心大作戰軟件)	Ophyer Technology	2020SR0204089	PRC	/	August 15, 2019	March 3, 2020

APPENDIX IV

STATUTORY AND GENERAL INFORMATION

No.	Name of Copyright	Copyright owner	Copyright registration	Place of	Published date	Date of completion	
			number	registration		of development	Date of registration
69	AR Looking back 600 years software (AR回首六百年軟件)	Ophyer Technology	2020SR0069548	PRC	/	April 30, 2019	January 14, 2020
70	AR Good Real Gift Software (AR好 實有禮軟件)	Ophyer Technology	2020SR0069556	PRC	/	May 20, 2019	January 14, 2020
71	AR A Dream in Kunyuan software (AR昆園一夢軟件)	Ophyer Technology	2020SR0070042	PRC	/	May 18, 2019	January 14, 2020
72	Pumpkin Squad game software (南瓜 小隊遊戲軟件)	Ophyer Technology	2019SR1339197	PRC	/	October 16, 2019	December 11, 2019
73	Mushroom Warriors game software (蘑菇戰隊遊戲軟件)	Ophyer Technology	2019SR1339042	PRC	/	October 14, 2019	December 11, 2019
74	Pop the Balloons game software (幹掉氣球遊戲軟件)	Ophyer Technology	2019SR1339033	PRC	/	October 4, 2019	December 11, 2019
75	Dark Room Treasure Hunt game software (暗室尋寶遊戲軟件) . . .	Ophyer Technology	2019SR1339463	PRC	/	October 2, 2019	December 11, 2019
76	Tunnel Crossing game software (隧道 穿越遊戲軟件)	Ophyer Technology	2019SR1339453	PRC	/	October 17, 2019	December 11, 2019
77	Little Island Pioneer game software (小島先鋒遊戲軟件)	Ophyer Technology	2019SR1331428	PRC	/	October 22, 2019	December 10, 2019
78	Chicken Run game software (小雞快 跑遊戲軟件)	Ophyer Technology	2019SR1331408	PRC	/	October 23, 2019	December 10, 2019
79	Snow Rescue game software (雪地營 救遊戲軟件)	Ophyer Technology	2019SR1331448	PRC	/	October 16, 2019	December 10, 2019
80	Kittens Foraging game software (小貓 覓食遊戲軟件)	Ophyer Technology	2019SR1331418	PRC	/	October 9, 2019	December 10, 2019
81	Space Battle game software (太空大 戰遊戲軟件)	Ophyer Technology	2019SR1331438	PRC	/	October 18, 2019	December 10, 2019

APPENDIX IV

STATUTORY AND GENERAL INFORMATION

No.	Name of Copyright	Copyright owner	Copyright registration	Place of	Published date	Date of completion	Date of registration
			number	registration		of development	
82	Jungle Adventure game software (叢林大冒險遊戲軟件)	Ophyer Technology	2019SR1101706	PRC	/	September 1, 2019	October 30, 2019
83	Adventure Hero game software (冒險 英雄遊戲軟件)	Ophyer Technology	2019SR1101702	PRC	/	September 10, 2019	October 30, 2019
84	Monster Battle game software (怪獸 大作戰遊戲軟件)	Ophyer Technology	2019SR1101692	PRC	/	September 4, 2019	October 30, 2019
85	Little Wonderful game software (小美 好遊戲軟件)	Ophyer Technology	2019SR1101695	PRC	/	September 2, 2019	October 30, 2019
86	Pieces Recycle Bin game software (碎片回收站遊戲軟件)	Ophyer Technology	2019SR1101698	PRC	/	September 6, 2019	October 30, 2019
87	Beauty Guesses the Gold Coins game software (美女猜金幣遊戲軟件) . .	Ophyer Technology	2019SR0968953	PRC	/	July 15, 2019	September 19, 2019
88	Happy and Joyful New Year game software (歡天喜地過大年遊戲 軟件)	Ophyer Technology	2019SR0968964	PRC	/	July 8, 2019	September 19, 2019
89	Mice and Apples game software (小鼠與蘋果遊戲軟件)	Ophyer Technology	2019SR0968958	PRC	/	July 17, 2019	September 19, 2019
90	Journey to Iceland game software (冰島之旅遊戲軟件)	Ophyer Technology	2019SR0968946	PRC	/	July 2, 2019	September 19, 2019
91	Kangaroo Adventure game software (袋鼠大冒險遊戲軟件)	Ophyer Technology	2019SR0968969	PRC	/	July 10, 2019	September 19, 2019
92	Bow and Arrow Battle game software (弓箭大作戰遊戲軟件)	Ophyer Technology	2019SR0897385	PRC	/	July 4, 2019	August 29, 2019
93	Year of the Pig game software (豬年 行大運遊戲軟件)	Ophyer Technology	2019SR0897166	PRC	/	July 16, 2019	August 29, 2019
94	Rock, Paper, Scissors game software (剪刀石頭布遊戲軟件)	Ophyer Technology	2019SR0897181	PRC	/	July 16, 2019	August 29, 2019

APPENDIX IV

STATUTORY AND GENERAL INFORMATION

No.	Name of Copyright	Copyright owner	Copyright registration	Place of	Published date	Date of completion	Date of registration
			number	registration		of development	
95	Protect Chang'e game software (保護嫦娥遊戲軟件)	Ophyer Technology	2019SR0897402	PRC	/	July 2, 2019	August 29, 2019
96	Happy Capsule Vending Machine game software (歡樂扭蛋機遊戲軟件)	Ophyer Technology	2019SR0897374	PRC	/	July 12, 2019	August 29, 2019
97	Busy Cowboy game software (牛仔很忙遊戲軟件)	Ophyer Technology	2019SR0861072	PRC	/	June 20, 2019	August 20, 2019
98	Red Packets, Golden Eggs game (搶紅包砸金蛋遊戲軟件)	Ophyer Technology	2019SR0842724	PRC	/	June 19, 2019	August 13, 2019
99	Chasing for Love game software (為愛狂追遊戲軟件)	Ophyer Technology	2019SR0842738	PRC	/	June 13, 2019	August 13, 2019
100	Fishing game software (一起來捕魚遊戲軟件)	Ophyer Technology	2019SR0843054	PRC	/	June 27, 2019	August 13, 2019
101	Foodies Assemble game software (吃貨集結令遊戲軟件)	Ophyer Technology	2019SR0841262	PRC	/	June 17, 2019	August 13, 2019
102	Red Packet Forest game software (紅包森林遊戲軟件)	Ophyer Technology	2019SR0842416	PRC	/	June 12, 2019	August 13, 2019
103	Mystery Treasure Box game software (神秘百寶箱遊戲軟件)	Ophyer Technology	2019SR0842719	PRC	/	June 20, 2019	August 13, 2019
104	World Cup game software (決戰世界杯遊戲軟件)	Ophyer Technology	2019SR0841263	PRC	/	June 11, 2019	August 13, 2019
105	Slap Your Boyfriend Game (掌摑男朋友遊戲軟件)	Ophyer Technology	2019SR0811599	PRC	/	June 12, 2019	August 6, 2019
106	This is the Wheel game software (這就是轉盤遊戲軟件)	Ophyer Technology	2019SR0811309	PRC	/	June 13, 2019	August 6, 2019
107	Second Floor game software (二樓遊戲軟件)	Ophyer Technology	2019SR0811303	PRC	/	June 3, 2019	August 6, 2019

APPENDIX IV

STATUTORY AND GENERAL INFORMATION

No.	Name of Copyright	Copyright owner	Copyright registration	Place of	Published date	Date of completion	Date of registration
			number	registration		of development	
108	Care for Single People game software (關愛單身狗遊戲軟件)	Ophyer Technology	2019SR0811298	PRC	/	June 5, 2019	August 6, 2019
109	Find the Pests game software (尋找害蟲遊戲軟件)	Ophyer Technology	2019SR0748864	PRC	/	May 13, 2019	July 19, 2019
110	Journey to the West Stage Play game software (大話西遊舞台劇遊戲軟件)	Ophyer Technology	2019SR0748859	PRC	/	May 6, 2019	July 19, 2019
111	Little Fox Collecting Toys game software (小狐狸收集玩具遊戲軟件)	Ophyer Technology	2019SR0748867	PRC	/	May 10, 2019	July 19, 2019
112	Masked Hotel game software (假面飯店遊戲軟件)	Ophyer Technology	2019SR0748870	PRC	/	May 8, 2019	July 19, 2019
113	Piggy Tumble game software (小豬翻滾遊戲軟件)	Ophyer Technology	2019SR0746920	PRC	/	May 28, 2019	July 18, 2019
114	A Strong Man with a Dream game software (一個有夢想的壯漢遊戲軟件)	Ophyer Technology	2019SR0746899	PRC	/	May 14, 2019	July 18, 2019
115	Battle Boy game software (戰鬥小子遊戲軟件)	Ophyer Technology	2019SR0746906	PRC	/	May 17, 2019	July 18, 2019
116	Date Together game software (一起約會遊戲軟件)	Ophyer Technology	2019SR0746893	PRC	/	May 23, 2019	July 18, 2019
117	Destroy Monsters game software (消滅妖怪遊戲軟件)	Ophyer Technology	2019SR0746914	PRC	/	May 16, 2019	July 18, 2019
118	Magic Pen game software (神奇的筆遊戲軟件)	Ophyer Technology	2019SR0746909	PRC	/	May 22, 2019	July 18, 2019
119	Saviour game software (拯救者遊戲軟件)	Ophyer Technology	2019SR0617396	PRC	/	April 26, 2019	June 17, 2019

APPENDIX IV

STATUTORY AND GENERAL INFORMATION

No.	Name of Copyright	Copyright owner	Copyright registration	Place of	Published date	Date of completion	Date of registration
			number	registration		of development	
120	Three Brothers Adventures game software (三兄弟歷險記遊戲軟件) .	Ophyer Technology	2019SR0617389	PRC	/	April 16, 2019	June 17, 2019
121	Piggy and the Brain game software (豬豬和大腦遊戲軟件)	Ophyer Technology	2019SR0614385	PRC	/	April 16, 2019	June 14, 2019
122	Ghost Little Cube game software (幽靈小方塊遊戲軟件)	Ophyer Technology	2019SR0614362	PRC	/	April 9, 2019	June 14, 2019
123	Masked Bunny game software (蒙面兔子遊戲軟件)	Ophyer Technology	2019SR0611544	PRC	/	April 20, 2019	June 14, 2019
124	Capture back to the Prison game software (抓回監獄遊戲軟件) . . .	Ophyer Technology	2019SR0614374	PRC	/	April 22, 2019	June 14, 2019
125	Untie the Knot game software (解開繩結遊戲軟件)	Ophyer Technology	2019SR0611549	PRC	/	April 3, 2019	June 14, 2019
126	Precision Special Forces game software (精準特種兵遊戲軟件) . .	Ophyer Technology	2019SR0605247	PRC	/	April 4, 2019	June 13, 2019
127	Jumping Bacteria game software (跳躍細菌遊戲軟件)	Ophyer Technology	2019SR0605302	PRC	/	April 11, 2019	June 13, 2019
128	Infinite Jump game software (無限跳躍遊戲軟件)	Ophyer Technology	2019SR0605264	PRC	/	April 9, 2019	June 13, 2019
129	Escape Room game software (逃脫密室遊戲軟件)	Ophyer Technology	2019SR0514319	PRC	/	March 19, 2019	May 24, 2019
130	Brutal Piggy game software (蠻橫小豬遊戲軟件)	Ophyer Technology	2019SR0515663	PRC	/	March 22, 2019	May 24, 2019
131	Gluttonous Dragon game software (貪吃龍遊戲軟件)	Ophyer Technology	2019SR0514331	PRC	/	March 8, 2019	May 24, 2019
132	Lonely Soldier game software (孤膽小兵遊戲軟件)	Ophyer Technology	2019SR0462841	PRC	/	March 11, 2019	May 14, 2019

APPENDIX IV

STATUTORY AND GENERAL INFORMATION

No.	Name of Copyright	Copyright owner	Copyright registration	Place of	Published date	Date of completion	Date of registration
			number	registration		of development	
133	Demon Dragon's Roar game software (惡龍咆哮遊戲軟件)	Ophyer Technology	2019SR0462854	PRC	/	March 5, 2019	May 14, 2019
134	Keep Angry Dogs Away game software (驅趕惡犬遊戲軟件) . . .	Ophyer Technology	2019SR0463547	PRC	/	March 16, 2019	May 14, 2019
135	Walk through the Cubes game software (走完方塊遊戲軟件) . . .	Ophyer Technology	2019SR0453755	PRC	/	March 5, 2019	May 13, 2019
136	Little Yellow Duck game software (小黃鴨遊戲軟件)	Ophyer Technology	2019SR0453705	PRC	/	March 13, 2019	May 13, 2019
137	Invincible Kitten game software (無敵小貓咪遊戲軟件)	Ophyer Technology	2019SR0453719	PRC	/	March 20, 2019	May 13, 2019
138	Leap Blade game software (躍刃遊戲 軟件)	Ophyer Technology	2019SR0453712	PRC	/	March 27, 2019	May 13, 2019
139	Save the Ice game software (拯救冰 冰遊戲軟件)	Ophyer Technology	2019SR0363728	PRC	/	February 20, 2019	April 20, 2019
140	Destroy the Sun game software (消滅 太陽遊戲軟件)	Ophyer Technology	2019SR0363720	PRC	/	February 15, 2019	April 20, 2019
141	Exciting Roller Coaster game software (激情過山車遊戲軟件) . .	Ophyer Technology	2019SR0363869	PRC	/	February 4, 2019	April 20, 2019
142	Save your Girlfriend and Kids game software (拯救女友小朋友遊戲 軟件)	Ophyer Technology	2019SR0363704	PRC	/	February 21, 2019	April 20, 2019
143	Digging for Buried Treasure game software (挖地淘寶遊戲軟件) . . .	Ophyer Technology	2019SR0363713	PRC	/	February 11, 2019	April 20, 2019
144	Room Escape game software (密室逃 脫遊戲軟件)	Ophyer Technology	2019SR0353620	PRC	/	February 12, 2019	April 19, 2019
145	Matchmaker Battle game software (火柴人大戰遊戲軟件)	Ophyer Technology	2019SR0354408	PRC	/	February 14, 2019	April 19, 2019

APPENDIX IV

STATUTORY AND GENERAL INFORMATION

No.	Name of Copyright	Copyright owner	Copyright registration	Place of	Published date	Date of completion	
			number	registration		of development	Date of registration
146	Toad Wishing to Eat Swan Meat game software (癩蛤蟆吃天鵝遊戲 軟件)	Ophyer Technology	2019SR0353632	PRC	/	February 7, 2019	April 19, 2019
147	Ice and Fire Men game software (冰火俠客遊戲軟件)	Ophyer Technology	2019SR0353611	PRC	/	February 2, 2019	April 19, 2019
148	Save the Ball Brothers game software (拯救球球大兄弟遊戲軟件)	Ophyer Technology	2019SR0353716	PRC	/	February 22, 2019	April 19, 2019
149	Little Black Run game software (小黑 快跑遊戲軟件)	Ophyer Technology	2019SR0284703	PRC	/	January 24, 2019	March 27, 2019
150	Planetary Adventure game software (星球探險遊戲軟件)	Ophyer Technology	2019SR0281381	PRC	/	January 23, 2019	March 26, 2019
151	Square One Plus One game software (方塊壹加壹遊戲軟件)	Ophyer Technology	2019SR0281387	PRC	/	January 18, 2019	March 26, 2019
152	Gemstone Tycoon game software (寶石大亨遊戲軟件)	Ophyer Technology	2019SR0281391	PRC	/	January 11, 2019	March 26, 2019
153	Brave Magic Tower game software (勇者闖魔塔遊戲軟件)	Ophyer Technology	2019SR0276248	PRC	/	January 17, 2019	March 25, 2019
154	Bomb Expert game software (炸彈專 家遊戲軟件)	Ophyer Technology	2019SR0276237	PRC	/	January 17, 2019	March 25, 2019
155	Rest in Pieces game software (碎碎平 安遊戲軟件)	Ophyer Technology	2019SR0276472	PRC	/	January 1, 2019	March 25, 2019
156	Porcelain Ball game software (動感瓷 球遊戲軟件)	Ophyer Technology	2019SR0276261	PRC	/	January 14, 2019	March 25, 2019
157	Chicky Duo game software (兩隻小雞 遊戲軟件)	Ophyer Technology	2019SR0276271	PRC	/	January 21, 2019	March 25, 2019
158	Bacter.io Evolution game software (細菌大作戰遊戲軟件)	Ophyer Technology	2019SR0276481	PRC	/	January 3, 2019	March 25, 2019

APPENDIX IV

STATUTORY AND GENERAL INFORMATION

No.	Name of Copyright	Copyright owner	Copyright registration number	Place of registration	Published date	Date of completion of development	Date of registration
159	Run game software (奔跑吧遊戲軟件)	Ophyer Technology	2019SR0161247	PRC	/	October 8, 2018	February 20, 2019
160	Table Bowling game software (桌面 保齡球遊戲軟件)	Ophyer Technology	2019SR0161250	PRC	/	October 23, 2018	February 20, 2019
161	Dark Flower game software (暗花遊 戲軟件)	Ophyer Technology	2019SR0161303	PRC	/	October 16, 2018	February 20, 2019
162	Dream and Eat the Stars game software (做夢吃星星遊戲軟件) . .	Ophyer Technology	2019SR0161306	PRC	/	October 3, 2018	February 20, 2019
163	Little Witch game software (小小魔女 遊戲軟件)	Ophyer Technology	2019SR0130888	PRC	/	December 14, 2018	February 11, 2019
164	Colour Swirl game software (色彩漩 渦遊戲軟件)	Ophyer Technology	2019SR0126113	PRC	/	December 6, 2018	February 2, 2019
165	Parting game software (離別遊戲 軟件)	Ophyer Technology	2019SR0126124	PRC	/	December 14, 2018	February 2, 2019
166	Birdie Goes Home game software (小鳥回家遊戲軟件)	Ophyer Technology	2019SR0126101	PRC	/	December 6, 2018	February 2, 2019
167	Cutting Master game software (切割 大師遊戲軟件)	Ophyer Technology	2019SR0126337	PRC	/	December 17, 2018	February 2, 2019
168	Click Click Click game software (咔咔咔遊戲軟件)	Ophyer Technology	2019SR0127037	PRC	/	December 11, 2018	February 2, 2019
169	Red and Blue Balls game software (紅藍小球遊戲軟件)	Ophyer Technology	2019SR0127069	PRC	/	December 5, 2018	February 2, 2019
170	Rush Convenience Store game software (急速便利店遊戲軟件) . .	Ophyer Technology	2019SR0127060	PRC	/	December 10, 2018	February 2, 2019
171	Runestone Matching game software (符石對對碰遊戲軟件)	Ophyer Technology	2019SR0127079	PRC	/	December 3, 2018	February 2, 2019

APPENDIX IV

STATUTORY AND GENERAL INFORMATION

No.	Name of Copyright	Copyright owner	Copyright registration	Place of	Published date	Date of completion	
			number	registration		of development	Date of registration
172	Skateboard Archery game software (滑板射箭遊戲軟件)	Ophyer Technology	2019SR0127050	PRC	/	December 7, 2018	February 2, 2019
173	Destroy the Ghosts game software (消滅幽靈遊戲軟件)	Ophyer Technology	2019SR0100852	PRC	/	October 19, 2018	January 28, 2019
174	Wish Love is Bright like Before game software (但願愛情明媚如初遊戲 軟件)	Ophyer Technology	2019SR0100430	PRC	/	October 5, 2018	January 28, 2019
175	Special Godfather Games (特種教父 遊戲軟件)	Ophyer Technology	2019SR0100847	PRC	/	October 12, 2018	January 28, 2019
176	Cube Jenga game software (方塊疊疊 高遊戲軟件)	Ophyer Technology	2019SR0101599	PRC	/	October 10, 2018	January 28, 2019
177	Cloud Chasing Moon game software (雲追月遊戲軟件)	Ophyer Technology	2019SR0100339	PRC	/	October 22, 2018	January 28, 2019
178	Mochi Hero game software (糯米團勇 者遊戲軟件)	Ophyer Technology	2018SR990632	PRC	/	August 25, 2018	December 7, 2018
179	Star Maze game software (星際迷宮 遊戲軟件)	Ophyer Technology	2018SR990396	PRC	/	September 3, 2018	December 7, 2018
180	Little Carp Big Escape game software (小鯉魚大逃亡遊戲軟件)	Ophyer Technology	2018SR990589	PRC	/	August 15, 2018	December 7, 2018
181	Old Driver game software (老司機遊 戲軟件)	Ophyer Technology	2018SR990642	PRC	/	August 20, 2018	December 7, 2018
182	Search Food from the Tiger's Mouth game software (虎口奪食遊戲軟件)	Ophyer Technology	2018SR990617	PRC	/	August 17, 2018	December 7, 2018
183	End of the Road Survival game software (末路求生遊戲軟件) . . .	Ophyer Technology	2018SR990411	PRC	/	July 25, 2018	December 7, 2018
184	Infinite Giraffe game software (長長 長頸鹿遊戲軟件)	Ophyer Technology	2018SR990530	PRC	/	September 18, 2018	December 7, 2018

APPENDIX IV

STATUTORY AND GENERAL INFORMATION

No.	Name of Copyright	Copyright owner	Copyright registration	Place of	Published date	Date of completion	Date of registration
			number	registration		of development	
185	Reverse Black and White game software (逆轉黑白遊戲軟件) . . .	Ophyer Technology	2018SR942332	PRC	/	September 5, 2018	November 26, 2018
186	Pet Playground game software (寵物遊樂園遊戲軟件)	Ophyer Technology	2018SR942239	PRC	/	July 25, 2018	November 26, 2018
187	Strongest Demon game software (最強妖孽遊戲軟件)	Ophyer Technology	2018SR942327	PRC	/	August 30, 2018	November 26, 2018
188	Short Life of a Cockroach game software (小強短暫的一生遊戲軟件)	Ophyer Technology	2018SR942058	PRC	/	September 5, 2018	November 26, 2018
189	Time Travel Only for Your Love game software (穿越只為你的愛遊戲軟件)	Ophyer Technology	2018SR926507	PRC	/	July 25, 2018	November 20, 2018
190	Kill the Sky game software (誅天遊戲軟件)	Ophyer Technology	2018SR926189	PRC	/	July 25, 2018	November 20, 2018
191	Run wild! Small animals! game software (狂奔吧！小動物！遊戲軟件)	Ophyer Technology	2018SR867211	PRC	/	August 10, 2018	October 30, 2018
192	Gravity Maze game software (重力迷宮遊戲軟件)	Ophyer Technology	2018SR867096	PRC	/	September 1, 2018	October 30, 2018
193	Up and down Flip game software (上下翻飛遊戲軟件)	Ophyer Technology	2018SR867089	PRC	/	August 17, 2018	October 30, 2018
194	Super Pair-up game software (超級對對碰遊戲軟件)	Ophyer Technology	2018SR867223	PRC	/	July 25, 2018	October 30, 2018
195	Stars Track game software (繁星軌迹遊戲軟件)	Ophyer Technology	2018SR867217	PRC	/	August 20, 2018	October 30, 2018
196	Star Core Exploration game software (星核探秘遊戲軟件)	Ophyer Technology	2018SR867204	PRC	/	July 25, 2018	October 30, 2018

APPENDIX IV

STATUTORY AND GENERAL INFORMATION

No.	Name of Copyright	Copyright owner	Copyright registration	Place of	Published date	Date of completion	Date of registration
			number	registration		of development	
197	Wild Battle game software (狂戰八荒 遊戲軟件)	Ophyer Technology	2018SR691774	PRC	/	May 15, 2018	August 29, 2018
198	Heavenly Descending game software (天尊臨世遊戲軟件)	Ophyer Technology	2018SR687248	PRC	/	June 5, 2018	August 28, 2018
199	Bump that Little One game software (撞那個小的遊戲軟件)	Ophyer Technology	2018SR670847	PRC	/	June 25, 2018	August 22, 2018
200	Three Minute Tower Defence game software (三分鐘塔防遊戲軟件) . .	Ophyer Technology	2018SR668021	PRC	/	June 20, 2018	August 21, 2018
201	Bunnies are Cute game software (兔兔那麼可愛遊戲軟件)	Ophyer Technology	2018SR595088	PRC	/	May 19, 2018	July 30, 2018
202	Jurassic Ranch game software (侏羅 紀牧場遊戲軟件)	Ophyer Technology	2018SR573000	PRC	/	July 10, 2018	July 20, 2018
203	Jedi Flying Guns game software (絕地飛槍遊戲軟件)	Ophyer Technology	2018SR516711	PRC	/	May 4, 2018	July 4, 2018
204	Western Zombie Hunter game software (西部僵屍獵人遊戲軟件) .	Ophyer Technology	2018SR419819	PRC	/	April 2, 2018	June 5, 2018
205	Cutie Sleepwalking game software (萌寶夢遊記遊戲軟件)	Ophyer Technology	2018SR370706	PRC	/	March 26, 2018	May 23, 2018
206	Crazy Ball game software (瘋狂的球 球遊戲軟件)	Ophyer Technology	2018SR371075	PRC	/	March 21, 2018	May 23, 2018
207	Little Tank Big Battle game software (小坦克大作戰遊戲軟件)	Ophyer Technology	2018SR370715	PRC	/	April 4, 2018	May 23, 2018
208	Guardian of the Stars: Infinite game software (守護繁星：無限遊戲 軟件)	Ophyer Technology	2018SR224735	PRC	/	February 1, 2018	April 2, 2018
209	Stars Special Forces game software (繁星特戰隊遊戲軟件)	Ophyer Technology	2018SR132344	PRC	/	December 25, 2017	February 28, 2018

APPENDIX IV

STATUTORY AND GENERAL INFORMATION

No.	Name of Copyright	Copyright owner	Copyright registration	Place of	Published date	Date of completion	
			number	registration		of development	Date of registration
210	Bursting Race game software (爆裂賽場遊戲軟件)	Ophyer Technology	2018SR133198	PRC	/	January 31, 2018	February 28, 2018
211	Love in Action — Xia Rui game software (戀愛進行時 — 夏蕊遊戲軟件)	Ophyer Technology	2017SR540260	PRC	/	May 15, 2017	September 25, 2017
212	King of Sniper game software (狙擊之王遊戲軟件)	Ophyer Technology	2017SR485299	PRC	/	March 15, 2016	September 1, 2017
213	Heist Escape Most Wanted 3D single-player game software (生死時速最高通緝3D單機遊戲軟件) . .	Ophyer Technology	2017SR478769	PRC	April 5, 2016	April 4, 2016	August 30, 2017
214	Star Billiards Internet game software (明星檯球網絡軟件遊戲)	Ophyer Technology	2017SR342271	PRC	September 2, 2016	September 1, 2016	July 4, 2017
215	Star Billiards single-player game software (明星檯球單機遊戲軟件) .	Ophyer Technology	2017SR342262	PRC	July 1, 2016	July 1, 2016	July 4, 2017
216	Fairy Island Smash game software (仙島大亂鬥遊戲軟件)	Ophyer Technology	2017SR269082	PRC	/	April 15, 2017	June 15, 2017
217	Toto Bear Turbo League — Fantasy City Smash game software (濤濤熊極速聯盟 — 幻想城大亂鬥遊戲軟件)	Ophyer Technology	2017SR262098	PRC	/	April 15, 2017	June 14, 2017
218	Palpitating Home Single-player game software (悸動的屋檐下單機遊戲軟件)	Ophyer Technology	2017SR111447	PRC	January 23, 2017	January 16, 2017	April 12, 2017
219	Love ING single-player game software (戀愛愛恩季單機遊戲軟件)	Ophyer Technology	2017SR069037	PRC	November 11, 2016	November 2, 2016	March 7, 2017
220	Star League Glory single-player game software (星盟榮耀單機遊戲軟件) .	Ophyer Technology	2017SR002872	PRC	November 2, 2016	November 1, 2016	January 4, 2017

APPENDIX IV

STATUTORY AND GENERAL INFORMATION

No.	Name of Copyright	Copyright owner	Copyright registration	Place of registration	Published date	Date of completion	
			number			of development	Date of registration
221	God of Racing 2 — Highway Rumble game software (飆車之神2 — 公路轟鳴遊戲軟件)	Ophyer Technology	2017SR565355	PRC	September 4, 2017	September 1, 2017	October 12, 2017
222	Love ING single-player game software (戀愛艾恩季單機遊戲軟件)	Ophyer Technology	2016SR355212	PRC	November 2, 2016	November 1, 2016	December 6, 2016
223	God of Racing single-player game software (飆車之神單機遊戲軟件)	Ophyer Technology	2016SR196395	PRC	July 1, 2016	July 1, 2016	July 28, 2016
224	Galactic Armor 2 single-player game software (星際武裝2單機遊戲軟件)	Ophyer Technology	2016SR194485	PRC	June 12, 2016	June 12, 2016	July 26, 2016
225	Battlefield Gun God single-player game software (戰地槍神單機遊戲軟件)	Ophyer Technology	2016SR148834	PRC	April 22, 2016	April 22, 2016	June 21, 2016
226	3D Extreme Racing Android single-player game software (3D極品賽車安卓單機遊戲軟件)	Ophyer Technology	2015SR291401	PRC	November 16, 2015	November 16, 2015	December 31, 2015
227	Heroine Hua Mulan mobile game software (巾幗英雄花木蘭手機遊戲軟件)	Ophyer Technology	2010SR017327	PRC	January 8, 2010	December 30, 2009	April 19, 2010
228	Xuan Yuan mobile game software (軒轅手機遊戲軟件)	Ophyer Technology	2010SR016932	PRC	February 10, 2010	January 29, 2010	April 16, 2010
229	Night of Zombie, Billiards and the Living Dead mobile game software (僵屍檯球活死人之夜手機遊戲軟件)	Ophyer Technology	2010SR016994	PRC	October 15, 2009	September 25, 2009	April 16, 2010
230	Cheerful Landlord mobile game software (歡天喜地鬥地主手機遊戲軟件)	Ophyer Technology	2010SR017020	PRC	December 25, 2009	December 9, 2009	April 16, 2010

APPENDIX IV

STATUTORY AND GENERAL INFORMATION

No.	Name of Copyright	Copyright owner	Copyright registration	Place of	Published date	Date of completion	Date of registration
			number	registration		of development	
231	Spicy 9 Ball Heavenly Queen Palace mobile game software (麻辣9球天后宮手機遊戲軟件)	Ophyer Technology	2010SR016953	PRC	August 20, 2009	July 20, 2009	April 16, 2010
232	Happy Farm Big Battle mobile game software (開心農場大作戰手機遊戲軟件)	Ophyer Technology	2010SR015309	PRC	February 24, 2010	February 10, 2010	April 8, 2010
233	AR historical figures introduction software (AR歷史人物介紹軟件)	Ophyer Technology	2021SR0540753	PRC	/	November 8, 2020	April 15, 2021
234	VR safe driving software (VR安全駕駛軟件)	Ophyer Technology	2021SR0540724	PRC	/	November 6, 2020	April 15, 2021
235	Rongfan Monopoly Software (融粉大富翁軟件)	Ophyer Technology	2021SR0540725	PRC	/	August 19, 2020	April 15, 2021
236	Content management display system software (內容管理展示系統軟件)	Ophyer Technology	2021SR0540726	PRC	November 3, 2020	October 28, 2020	April 15, 2021
237	VR typhoon hedging software (VR颱風避險軟件)	Ophyer Technology	2021SR0540727	PRC	/	November 17, 2020	April 15, 2021
238	AR home appliance introduction software (AR家電介紹軟件)	Ophyer Technology	2021SR0540728	PRC	/	November 3, 2020	April 15, 2021
239	Jianghu offensive strategy island big battle game software (江湖進攻略島大作戰遊戲軟件)	Ophyer Technology	2018SR924526	PRC	/	August 5, 2018	November 20, 2018
240	VR virtual test drive software (VR虛擬試駕軟件)	Ophyer Technology	2021SR1600197	PRC	/	October 22, 2020	November 1, 2021
241	AR motorcycle introduction software (AR摩托車介紹軟件)	Ophyer Technology	2021SR1600195	PRC	/	December 28, 2020	November 1, 2021
242	Change Day Software (異變之日軟件)	Ophyer Technology	2021SR1600194	PRC	/	October 22, 2020	November 1, 2021

APPENDIX IV

STATUTORY AND GENERAL INFORMATION

No.	Name of Copyright	Copyright owner	Copyright registration	Place of	Published date	Date of completion	
			number	registration		of development	Date of registration
243	I am a star software (我是個明星 軟件)	Ophyer Technology	2021SR1600198	PRC	/	October 22, 2020	November 1, 2021
244	Angry Flame Software (憤怒的火焰 軟件)	Ophyer Technology	2021SR1600196	PRC	/	October 22, 2020	November 1, 2021
245	AR handbag introduction software (AR女式手包介紹軟件)	Ophyer Technology	2021SR2085282	PRC	/	December 28, 2020	December 20, 2021
246	AR plane model introduction software (AR飛機模型介紹軟件)	Ophyer Technology	2021SR2085281	PRC	/	December 28, 2020	December 20, 2021
247	Proceed together software (一起前行 軟件)	Ophyer Technology	2021SR2085280	PRC	/	October 22, 2020	December 20, 2021
248	League war software (聯盟大戰部落 軟件)	Ophyer Technology	2021SR2085279	PRC	/	October 22, 2020	December 20, 2021
249	Protect the fortress software (堅守堡 壘軟件)	Ophyer Technology	2022SR0258438	PRC	/	October 22, 2020	February 22, 2022
250	Network technology software (網絡技 術大神軟件)	Ophyer Technology	2022SR0908437	PRC	/	September 10, 2021	July 8, 2022
251	Entertainment new world software (娛樂新世界軟件)	Ophyer Technology	2022SR0908436	PRC	/	September 10, 2021	July 8, 2022
252	Secret Gate game software (秘密之門 遊戲軟件)	Hupo Jinyuan	2020SR0228575	PRC	/	December 16, 2019	March 9, 2020
253	Monsters League game software (怪獸聯盟遊戲軟件)	Hupo Jinyuan	2020SR0228570	PRC	/	December 2, 2019	March 9, 2020
254	Psychedelic Journey game software (迷幻之旅遊戲軟件)	Hupo Jinyuan	2020SR0228505	PRC	/	December 11, 2019	March 9, 2020
255	Mystery of the Mechanical Island game software (機械島之謎遊戲 軟件)	Hupo Jinyuan	2020SR0228563	PRC	/	December 5, 2019	March 9, 2020

APPENDIX IV

STATUTORY AND GENERAL INFORMATION

No.	Name of Copyright	Copyright owner	Copyright registration	Place of	Published date	Date of completion	
			number	registration		of development	Date of registration
256	Adventure Man game software (探險達人遊戲軟件)	Hupo Jinyuan	2020SR0053333	PRC	/	November 25, 2019	January 10, 2020
257	Floating Island Survival game software (浮島求生遊戲軟件) . . .	Hupo Jinyuan	2020SR0053340	PRC	/	November 18, 2019	January 10, 2020
258	Journey to the North Pole game software (北極之旅遊戲軟件) . . .	Hupo Jinyuan	2020SR0053326	PRC	/	November 22, 2019	January 10, 2020
259	Island Leap game software (孤島飛躍 遊戲軟件)	Hupo Jinyuan	2020SR0053346	PRC	/	November 20, 2019	January 10, 2020
260	Little Dinosaur Adventures game software (小恐龍歷險記遊戲軟件) .	Hupo Jinyuan	2020SR0029269	PRC	/	November 5, 2019	January 7, 2020
261	Planet Travelling game software (星球穿越遊戲軟件)	Hupo Jinyuan	2020SR0029276	PRC	/	November 8, 2019	January 7, 2020
262	Line Water game software (劃綫取水 遊戲軟件)	Hupo Jinyuan	2020SR0029262	PRC	/	November 4, 2019	January 7, 2020
263	Find the Hat game software (尋找帽 子遊戲軟件)	Hupo Jinyuan	2020SR0029283	PRC	/	November 11, 2019	January 7, 2020
264	3D Jumping Bottle game software (3D跳瓶遊戲軟件)	Hupo Jinyuan	2020SR0029818	PRC	/	November 1, 2019	January 7, 2020
265	Galactic Armor single-player game software (星際武裝單機遊戲軟件) .	Hupo Jinyuan	2016SR183715	PRC	April 5, 2016	April 4, 2016	July 18, 2016
266	Battle Girls Single-player game software (戰鬥少女單機遊戲軟件) .	Hupo Jinyuan	2016SR183585	PRC	April 5, 2016	April 4, 2016	July 18, 2016
267	Special Police Force game software (特警力量遊戲軟件)	Hupo Jinyuan	2015SR201010	PRC	May 8, 2015	May 1, 2015	October 20, 2015
268	Line Mage — Improved Edition game software (劃綫法師 — 加強版遊戲 軟件)	Hupo Jinyuan	2015SR188189	PRC	August 3, 2015	August 3, 2015	September 28, 2015

APPENDIX IV

STATUTORY AND GENERAL INFORMATION

No.	Name of Copyright	Copyright owner	Copyright registration	Place of	Published date	Date of completion	Date of registration
			number	registration		of development	
269	Alice in Wonderland Match game software (愛麗絲仙境消消樂遊戲軟件)	Hupo Jinyuan	2015SR133034	PRC	June 5, 2015	June 1, 2015	July 14, 2015
270	Nine-tailed Demon Girl Internet game system (九尾妖姬網絡遊戲系統) .	Hupo Jinyuan	2013SR068933	PRC	August 8, 2012	August 1, 2012	July 19, 2013
271	Dazhi SAAS enterprise marketing platform (大智SAAS企業營銷平台)	Beijing Xingshi	2020SR1864373	PRC	/	October 16, 2020	December 21, 2020
272	ADGU advertising effectiveness service platform (ADGU廣告效果服務平台)	Beijing Xingshi	2020SR1864376	PRC	/	August 23, 2020	December 21, 2020
273	Wisdom 5G message management platform (智達5G消息管理平台) .	Beijing Xingshi	2020SR1864375	PRC	/	August 12, 2020	December 21, 2020
274	Guangzhi messaging platform system (廣知消息平台系統)	Beijing Xingshi	2020SR1864374	PRC	/	November 20, 2020	December 21, 2020
275	Raspberry Advertising and Marketing System Platform (樹莓廣告營銷系統平台)	Beijing Xingshi	2020SR1864377	PRC	/	August 20, 2020	December 21, 2020
276	Tianyou Telecom Enterprise Value-added Service Management System (天游電信企業增值服務管理系統)	Beijing Xingshi	2021SR1390137	PRC	June 18, 2021	June 18, 2021	September 16, 2021
277	Lu Quanyun SaaS Management System (路全雲SaaS管理系統). . .	Beijing Xingshi	2021SR1390139	PRC	May 20, 2021	May 20, 2021	September 16, 2021
278	Luquan Yunxin Gateway System (路全雲信網關系統)	Beijing Xingshi	2021SR1390138	PRC	April 12, 2021	April 12, 2021	September 16, 2021
279	Raspberry Information System Platform (樹莓消息平台系統)	Beijing Xingshi	2021SR1975848	PRC	/	November 5, 2021	December 2, 2021

APPENDIX IV

STATUTORY AND GENERAL INFORMATION

No.	Name of Copyright	Copyright owner	Copyright registration	Place of	Published date	Date of completion	Date of registration
			number	registration		of development	
280	Da Mia Advertisement Alliance Platform (達邁廣告聯盟系統) . . .	Beijing Xingshi	2021SR2168573	PRC	/	November 8, 2021	December 27, 2021
281	Wanqing Cloud Platform (萬擎雲平台).	Our Company	2022SR0908426	PRC	/	February 20, 2022	July 8, 2022
282	Wanmu Cloud Platform (萬目雲平台).	Our Company	2022SR1041115	PRC	/	January 31, 2022	August 8, 2022
283	Feitian VR development framework software (飛天 VR 開發框架軟件) .	Our Company	2022SR0908427	PRC	/	February 10, 2022	July 8, 2022
284	Feitian AR development framework software (飛天 AR 開發框架軟件) .	Our Company	2022SR0908428	PRC	/	February 10, 2022	July 8, 2022
285	Feitian AI development framework software (飛天 AI 開發框架軟件) .	Our Company	2022SR0908429	PRC	/	February 10, 2022	July 8, 2022
286	Feitian cross-platform development framework software (飛天跨平台開發框架軟件)	Our Company	2022SR0908430	PRC	/	January 31, 2022	July 8, 2022
287	Feitian client development tool software (飛天客戶端開發工具軟件)	Our Company	2022SR0908431	PRC	/	March 30, 2022	July 8, 2022

As of the Latest Practicable Date, we had applied for the registration of the following copyrights which we consider to be material to our business:

No.	Name of Copyright	Copyright owner	Copyright	Place of	Date of	Published date
			registration number	registration	completion of development	
1	Explore alien software (探索外星球軟件)	Ophyer Technology	2021R11S1818777		October 22, 2020	/
2	King Defense Software (國王保衛戰軟件)	Ophyer Technology	2021R11S1818706		October 22, 2020	/

(ii) *Artwork copyrights*

No.	Name of Copyright	Copyright owner	Class	Copyright registration number	Place of registration	Registration date
1	Character design of intelligence officer Teresa in the game “Galactic Armor II” (《星際武裝II》遊戲人物設計之情報官特蕾莎)	Ophyer Technology	Art	National Copyright Registration Certificate (國作登字) -2018-F-00548143	PRC	May 17, 2018
2	Logo of the game “Toto Bear Turbo League — Fantasy City Smash” (《濤濤熊極速聯盟 — 幻想城大亂鬥》遊戲LOGO).	Ophyer Technology	Art	National Copyright Registration Certificate (國作登字) -2018-F-00548144	PRC	May 17, 2018
3	Car design of Silver Dazzle in the game “Toto Bear Turbo League — Fantasy City Smash” (《濤濤熊極速聯盟 — 幻想城大亂鬥》遊戲車型設計之銀色炫光)	Ophyer Technology	Art	National Copyright Registration Certificate (國作登字) -2018-F-00548281	PRC	May 17, 2018
4	Monster design of Destruction Mech in the game “Galactic Armor II” (《星際武裝II》遊戲怪物設計之毀滅機甲)	Ophyer Technology	Art	National Copyright Registration Certificate (國作登字) -2018-F-00575430	PRC	July 6, 2018
5	Logo of the game “Guardian of the Stars: Infinite” (《守護繁星：無限》遊戲LOGO).	Ophyer Technology	Art	National Copyright Registration Certificate (國作登字) -2018-F-00548146	PRC	May 17, 2018
6	Character design of Jin Yingjia in the game “Star Billiards” (《明星檯球》遊戲人物設計之金贏佳)	Ophyer Technology	Art	National Copyright Registration Certificate (國作登字) -2018-F-00575427	PRC	July 6, 2018
7	Refrigerator decals of the spin-off of the game “Guardian of the Stars” (《守護繁星》遊戲衍生品之冰箱貼)	Ophyer Technology	Art	National Copyright Registration Certificate (國作登字) -2018-F-00542424	PRC	May 8, 2018

No.	Name of Copyright	Copyright owner	Class	Copyright registration number	Place of registration	Registration date
8	Character design of Fu Zhelun of the game “Star Billiards” (《明星檯球》遊戲人物設計之傅哲倫)	Ophyer Technology	Art	National Copyright Registration Certificate (國作登字) -2018-F-00542425	PRC	May 8, 2018
9	Logo of the game “Galactic Armor II” (《星際武裝II》遊戲LOGO)	Ophyer Technology	Art	National Copyright Registration Certificate (國作登字) -2018-F-00548147	PRC	May 17, 2018
10	Character design of Lieutenant Galactic in the game “Galactic Armor II” (《星際武裝II》遊戲人物設計之星際上尉)	Ophyer Technology	Art	National Copyright Registration Certificate (國作登字) -2018-F-00548280	PRC	May 17, 2018
11	Car design of Black Baron in the game “Toto Bear Turbo League — Fantasy City Smash” (《濤濤熊極速聯盟 — 幻想城大亂鬥》遊戲車型設計之黑色男爵)	Ophyer Technology	Art	National Copyright Registration Certificate (國作登字) -2018-F-00575434	PRC	July 6, 2018
12	Logo of the game “Love in Action” (《戀愛進行時》遊戲LOGO)	Ophyer Technology	Art	National Copyright Registration Certificate (國作登字) -2018-F-00548148	PRC	May 17, 2018
13	Monster design of Guard Sentry in the game “Galactic Armor II” (《星際武裝II》遊戲怪物設計之警戒哨兵)	Ophyer Technology	Art	National Copyright Registration Certificate (國作登字) -2018-F-00575435	PRC	July 6, 2018
14	Monster design of Alloy Hunter in the game “Galactic Armor II” (《星際武裝II》遊戲怪物設計之合金獵手)	Ophyer Technology	Art	National Copyright Registration Certificate (國作登字) -2018-F-00575431	PRC	July 6, 2018
15	Monster design of Humanoid Combat Mech in the game “Galactic Armor II” (《星際武裝II》遊戲怪物設計之人形作戰機甲)	Ophyer Technology	Art	National Copyright Registration Certificate (國作登字) -2018-F-00575429	PRC	July 6, 2018

No.	Name of Copyright	Copyright owner	Class	Copyright registration number	Place of registration	Registration date
16	Car design of Green Hurricane in the game “Toto Bear Turbo League — Fantasy City Smash” (《濤濤熊極速聯盟 — 幻想城大亂鬥》遊戲車型設計之綠色疾風) . .	Ophyer Technology	Art	National Copyright Registration Certificate (國作登字) -2018-F-00575432	PRC	July 6, 2018
17	Character design of Captain Stellar in the game “Galactic Armor II” (《星際武裝II》遊戲人物設計之恒星隊長)	Ophyer Technology	Art	National Copyright Registration Certificate (國作登字) -2018-F-00548279	PRC	May 17, 2018
18	Logo of the game “Star Billiards” (《明星檯球》遊戲LOGO)	Ophyer Technology	Art	National Copyright Registration Certificate (國作登字) -2018-F-00548145	PRC	May 17, 2018
19	Car design of Blue Giant in the game “Toto Bear Turbo League — Fantasy City Smash” (《濤濤熊極速聯盟 — 幻想城大亂鬥》遊戲車型設計之藍色巨人)	Ophyer Technology	Art	National Copyright Registration Certificate (國作登字) -2018-F-00575433	PRC	July 6, 2018
20	Character design of Kazumitsu Onizuka of the game “Star Billiards” (《明星檯球》遊戲人物設計之鬼塚和光)	Ophyer Technology	Art	National Copyright Registration Certificate (國作登字) -2018-F-00575428	PRC	July 6, 2018
21	Character design of Pan Ziyang of the game “Star Billiards” (《明星檯球》遊戲人物設計之潘梓瑩)	Ophyer Technology	Art	National Copyright Registration Certificate (國作登字) -2018-F-00583034	PRC	July 18, 2018

C. FURTHER INFORMATION ABOUT DIRECTORS AND SUBSTANTIAL SHAREHOLDERS

1. Disclosure of Interests

(a) *Interests and short positions of our Directors and chief executive of our Company in the Shares, underlying Shares and debentures of our Company and our associated corporations*

The following table sets out the interests and short positions of our Directors and chief executive of our Company immediately following completion of the Capitalization Issue and the Global Offering (without taking into account the Shares which may be allotted and issued pursuant to the exercise of the Over-allotment Option or the exercise of options which may be granted under the Post-IPO Share Option Scheme) in the Shares, underlying Shares or debentures of our Company or any of our associated corporations (within the meaning of Part XV of the SFO) which will have to be notified to us and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions in which they are taken or deemed to have under such provisions of the SFO), or which will be required, pursuant to section 352 of the SFO, to be entered in the register referred to therein, or which will be required to be notified to us and the Stock Exchange pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers contained in the Listing Rules, once the Shares are listed:

Interests in the Shares

<u>Name of Director/Chief Executive</u>	<u>Capacity/nature of interest</u>	<u>Name of company</u>	<u>Number of Shares</u>	<u>Approximate percentage of shareholding</u>
Mr. Wang	Interest in controlled corporation ⁽¹⁾	Our Company	764,083,301	42.21%
Mr. Li	Interest in controlled corporation ⁽¹⁾	Our Company	764,083,301	42.21%

Note:

- (1) Mr. Wang and Mr. Li jointly hold 42.21% of interest of our Company through Brainstorming Cafe. Brainstorming Cafe was owned as to 26.16% by Wang BVI, 61.05% by Cyber Warrior and 12.79% by Li BVI. Wang BVI is wholly owned by Mr. Wang. Li BVI is wholly owned by Mr. Li. Cyber Warrior is wholly owned by Vistra Trust. Vistra Trust is the trustee of the Wang Family Trust which is a discretionary trust established by Mr. Wang as the settlor and protector, and the beneficiary of the Wang Family Trust is Wang BVI. The Wang Family Trust is established for Mr. Wang's estate planning purposes.

Further, on December 13, 2021, Mr. Wang and Mr. Li entered into a concert party agreement, pursuant to which Mr. Wang and Mr. Li confirmed, among other things, that since they became shareholders and/or beneficial owners of Ophyer Technology or any member of our Group, they have been cooperating and are parties acting in concert with respect to the matters of Ophyer Technology, and shall continue to do so until the termination of such concert party agreement, and that they have been and shall continue to give unanimous consent, approval or rejection on any material issues and decision in relation to the business of our Company and the relevant members of our Group. For further details, see the paragraph headed “History, Development and Corporate Structure — Concert Party Agreement” in this prospectus.

Interests in associated corporations

Name of Director/Chief Executive	Capacity/nature of interest	Name of associated corporation	Number of shares	Approximate percentage of shareholding
Mr. Wang	Beneficial owner	Ophyer Technology	4,731,516	40.88%
Mr. Li	Beneficial owner	Ophyer Technology	684,718	5.92%

(b) Interests of the substantial shareholders in the Shares

Save as disclosed in the section headed “Substantial Shareholders” in this prospectus, immediately following the completion of the Capitalization Issue and the Global Offering and without taking into account any Shares which may be issued pursuant to the exercise of the Over-allotment Option or the exercise of options which may be granted under the Post-IPO Share Option Scheme, our Directors are not aware of any other person (not being a Director or chief executive of our Company) who will have an interest or short position in the Shares or the underlying Shares which would fall to be disclosed to us and the Stock Exchange under the provisions of Divisions 2 and 3 of Part XV of the SFO, or who is, directly or indirectly, interested in 10% or more of the issued voting shares of our Company.

(c) Interests of the substantial shareholders of other members of our Group

Save as disclosed in the section headed “History, Development and Corporate Structure” in this prospectus, immediately following the completion of the Global Offering assuming non-exercise of Over-allotment Option, and without taking into account any Shares to be issued upon exercise of options which may be granted under the Post-IPO Share Option Scheme, our Directors are not aware of any persons (excluding us and not being a Director or chief executive of our Company) who is, directly or indirectly, be interested in 10% or more of the nominal value of the share capital carrying rights to vote in all circumstances at general meetings of any other member of our Group.

2. Particulars of Directors' Service Contracts and Letters of Appointment

Each of Mr. Wang, Mr. Li, Ms. Xu Bing and Mr. Li Yao, being our executive Directors, has entered into a service contract with us for an initial term of three years commencing from the Listing Date, which may be terminated by not less than three months' notice in writing served by either the executive Director or our Company.

Each of Mr. Jiang Yi, Mr. Tan Deqing and Ms. Wang Beili, being our independent non-executive Directors, has entered into a letter of appointment with us for an initial term of three years commencing from the Listing Date, which may be terminated by not less than three months' notice in writing served by either the independent non-executive Director or our Company.

Save as disclosed above, none of our Directors has or is proposed to have entered into any service agreement or letter of appointment with any member of our Group (excluding agreements expiring or determinable by any member of our Group within one year without payment of compensation other than statutory compensation).

3. Remuneration of Directors

The aggregate amount of remuneration which was paid to our Directors for the three years ended December 31, 2021 and the three months ended March 31, 2022 were approximately RMB1.33 million, RMB1.71 million, RMB2.63 million and RMB0.7 million, respectively.

The aggregate amount of remuneration which were paid by our Group to our five highest paid individuals (including both employees and Directors) for the three years ended December 31, 2021 and the three months ended March 31, 2022 were approximately RMB1.79 million, RMB2.04 million, RMB3.27 million and RMB0.9 million, respectively.

None of our Directors or any past directors of any member of our Group has been paid any sum of money for each of the three years ended December 31, 2021 and the three months ended March 31, 2022 as (a) an inducement to join or upon joining our Company; or (b) for loss of office as a director of any member of our Group or of any other office in connection with the management of the affairs of any member of our Group.

There has been no arrangement under which a Director has waived or agreed to waive any emoluments for each of the three years ended December 31, 2021 and the three months ended March 31, 2022.

4. Disclaimers

Save as disclosed in “— C. Further Information about Directors and Substantial Shareholders — 1. Disclosure of Interests” in this appendix above and the sections headed “Directors and Senior Management” and “Substantial Shareholders” in this prospectus:

- (a) none of our Directors or our chief executive has any interest or short position in the Shares, underlying Shares or debentures of us or any of our associated corporations (within the meaning of Part XV of the SFO) which will have to be notified to us and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO, or which will be required, pursuant to section 352 of the SFO, to be entered in the register referred to therein, or which will be required to be notified to us and the Stock Exchange pursuant to Model Code for Securities Transactions by Directors of Listed Issuers once the Shares are listed;
- (b) none of our Directors is aware of any person (not being a Director or chief executive of our Company) who will, immediately following completion of the Global Offering (without taking into account any Shares which may be allotted and issued pursuant to the exercise of the Over-allotment Option and the exercise of options which may be granted under the Post-IPO Share Option Scheme), have an interest or short position in the Shares or underlying Shares which would fall to be disclosed to us under the provisions of Divisions 2 and 3 of Part XV of the SFO or who is interested, directly or indirectly, in 10% or more of the issued voting shares of any member of our Group;
- (c) so far as is known to our Directors, none of our Directors, their respective close associates or Shareholders who own more than 5% of the number of issued shares of our Company have any interests in the top five customers or the top five suppliers of our Group.

D. SHARE INCENTIVE SCHEME**1. Post-IPO Share Option Scheme**

The following is a summary of the principal terms of the Post-IPO Share Option Scheme conditionally adopted by the resolutions in writing of all our Shareholders passed on September 8, 2022.

(a) Purpose

The purpose of the Post-IPO Share Option Scheme is to enable our Group to grant options to selected participants as incentives or rewards for their contribution to our Group. Our Directors consider that the Post-IPO Share Option Scheme, with its broadened basis of participation, will enable our Group to reward our employees and our Directors for their contributions to our Group, and to promote the success of the business of the Group. Given that participants are given an opportunity to have a personal stake in our Company, it is expected that the Post-IPO Share Option Scheme will motivate participants to optimize their performance and efficiency, and attract and retain participants whose contributions are important to the long-term growth and profitability of our Group.

(b) Who may join

Our Directors (which expression shall, for the purpose of this paragraph, include the Board or a duly authorized committee thereof) may, at their absolute discretion, invite any person belonging to any of the following classes of participants, who our Board considers, in its sole discretion, have contributed or will contribute to the development and growth of our Group, to take up options to subscribe for Shares:

- (i) any director and employee of any member of our Group (each an “**employee participant**”); and
- (ii) any director or employee of any of the holding companies, fellow subsidiaries or associated companies of our Company (each a “**related entity participant**”).

For the avoidance of doubt, the grant of any options by our Company for the subscription of Shares or other securities of our Group to any person who falls within any of these classes of participants shall not, by itself, unless our Directors otherwise so determine, be construed as a grant of option under the Post-IPO Share Option Scheme.

The eligibility of any of these classes of participants to the grant of any option shall be determined by our Directors from time to time on the basis of our Directors’ opinion as to the participant’s contribution to the development and growth of our Group.

(c) Maximum number of Shares

- (i) Subject to paragraphs (iii) and (iv) below, the total number of Shares which may be issued upon exercise of all options to be granted under the Post-IPO Share Option Scheme shall not in aggregate exceed 10% of the relevant class of Shares in issue on the

day on which trading of the Shares commences on the Stock Exchange (the “**Scheme Mandate Limit**”), but excluding any Shares which may be issued upon the exercise of the Over-allotment Option.

- (ii) Subject to paragraph (iii) below, the Scheme Mandate Limit may be refreshed at any time after three years from the date of Shareholders’ approval for the last refreshment (or the date on which the Post-IPO Share Option Scheme is adopted, as the case may be) by approval of its Shareholders in general meeting provided that (1) any controlling shareholders and their associates (or if there is no controlling shareholder, directors (excluding independent non-executive directors) and the chief executive of our Company and their respective associates) must abstain from voting in favor of the relevant resolution at the general meeting; and (2) our Company must comply with the requirements under Rules 13.39(6), 13.39(7), 13.40, 13.41 and 13.42 of the Listing Rules. The requirements under (1) and (2) of this paragraph do not apply if the refreshment is made immediately after an issue of securities by our Company to the Shareholders on a pro rata basis as set out in Rule 13.36(2)(a) of the Listing Rules such that the unused part of the scheme mandate (as a percentage of the relevant class of Shares in issue) upon refreshment is the same as the unused part of the scheme mandate immediately before the issue of securities, rounded to the nearest whole Share.
- (iii) The total number of Shares which may be issued upon exercise of all options to be granted under the Post-IPO Share Option Scheme under the scheme mandate as refreshed must not exceed 10% of the relevant class of Shares in issue as at the date of approval of the refreshed scheme mandate.
- (iv) Without prejudice to paragraph (iii) above, our Company may seek separate Shareholders’ approval in a general meeting to grant options beyond the Scheme Mandate Limit to participants specifically identified by our Company before such approval is sought. In such event, our Company must send a circular to its Shareholders containing a general description of the specified participants, the number and terms of options to be granted, the purpose of granting options to the specified participants with an explanation as to how the terms of the options will serve such purpose and all other information required under the Listing Rules. The date of board meeting for proposing such further grant should be taken as the date on which an option is offered to a participant for the purpose of calculating the exercise price under Rule 17.03E of the Listing Rules.

(d) Maximum entitlement of each participant

Where any grant of options to a participant would result in the Shares issued and to be issued upon exercise of all options granted and to be granted to such participant (excluding any options lapsed in accordance with the terms of the Post-IPO Share Option Scheme) in the 12-month period up to and including the date of such grant representing in aggregate over 1% of the relevant class of Shares in issue, such grant must be separately approved by the Shareholders in general meeting with such participant and his/her close associates (or his/her associates if the participant is a connected person) abstaining from voting. The number and terms (including the exercise price) of options to be granted to such participant must be fixed before Shareholders' approval. The date of board meeting for proposing such further grant should be taken as the date of grant for the purpose of calculating the exercise price under Rule 17.03E of the Listing Rules.

(e) Grant of options to connected persons

- (i) Notwithstanding the foregoing, any grant of options under the Post-IPO Share Option Scheme to a director, chief executive or substantial shareholder of our Company or any of their respective associates must be approved by our independent non-executive Directors (excluding any independent non-executive Director who is a participant of the Post-IPO Share Option Scheme and has accepted an offer of a grant of an option).
- (ii) Where any grant of options to an independent non-executive Director or a substantial shareholder of our Company or any of their respective associates would result in the Shares issued and to be issued in respect of all options and awards granted (excluding any options and awards lapsed in accordance with the terms of the Post-IPO Share Option Scheme) under the Post-IPO Share Option Scheme and any other schemes of our Company to such person in the 12-month period up to and including the date of such grant representing in aggregate over 0.1% of the Shares in issue, such further grant of options must be approved by the Shareholders at a general meeting of our Company, with voting to be taken by way of poll. Our Company shall send a circular to the Shareholders containing all information as required under the Listing Rules in this regard. The grantee, his/her associates and all core connected persons (as defined in the Listing Rules) of our Company shall abstain from voting (except where any core connected person intends to vote against the proposed grant and his/her intention to do so has been stated in the aforesaid circular). Any change in the terms of an option granted to a substantial shareholder of our Company or an independent non-executive Director or any of their respective associates is also required to be approved by Shareholders in the aforesaid manner.

(f) Time of acceptance and exercise of option

An offer made to a participant shall remain open for acceptance by such participant for a period of five business days from the offer date (inclusive of the offer date). Any offer must be accepted in its entirety and can under no circumstances be accepted of less than the number of Shares for which it is offered.

An option may be exercised in accordance with the terms of the Post-IPO Share Option Scheme at any time during a period to be determined and notified by our Directors to each grantee, which period may commence on a day after the date upon which the offer for the grant of options is made but shall end in any event not later than 10 years from the date on which an option is offered to a participant, subject to the provisions for early termination under the Post-IPO Share Option Scheme. In any event, the minimum period for which an option must be held before it can be exercised shall be 12 months.

(g) Performance targets

Our Directors shall have absolute discretion to determine the performance targets such as growth rate of revenue, earnings per share and/or total shareholder return that must be achieved by a grantee before any options granted under the Post-IPO Share Option Scheme can be exercised.

(h) Subscription price for Shares and consideration for the option

The subscription price per Share under the Post-IPO Share Option Scheme will be a price determined by our Directors, but shall not be less than the highest of (i) the closing price of the Shares as stated in the Stock Exchange's daily quotations sheet on the date of the offer of grant, which must be a business day; (ii) the average closing price of the Shares as stated in the Stock Exchange's daily quotations for the five business days immediately preceding the date of the offer of grant (provided that in the event that any option is proposed to be granted within a period of less than five business days after the trading of the Shares first commences on the Stock Exchange, the new issue price of the Shares for the Global Offering shall be used as the closing price for any business day falling within the period before Listing); and (iii) the nominal value of a Share on the date of the offer of grant.

A nominal consideration of HK\$1.00 is payable upon acceptance of the grant of an option.

(i) Ranking of Shares

- (i) Shares allotted and issued upon the exercise of an option will be identical to the then existing issued shares of our Company and subject to all the provisions of the Memorandum of Association and Articles of Association and will rank *pari passu* in all respects with the fully paid Shares in issue on the date of allotment and accordingly will entitle the holders thereof to participate in all dividends or other distributions paid or made on or after the date of allotment other than any dividend or other distribution previously declared or recommended or resolved to be paid or made if the record date therefor shall be on or before the date of allotment. A Share allotted upon the exercise of an option shall not carry any voting rights until the name of the grantee has been duly entered on the register of members of our Company as the holder thereof.
- (ii) Unless the context otherwise requires, references to “Shares” in this paragraph include references to shares in the ordinary share capital of our Company of such nominal amount as shall result from a capitalization issue, rights issue, sub-division or a consolidation of such shares or reduction of capital in the share capital from time to time of our Company.

(j) Restrictions on the time of grant of options

No offer for grant of options shall be made after inside information (as defined in the SFO) has come to our Company’s knowledge until it has announced the information in accordance with the requirements of the Listing Rules and the SFO. In particular, during the period commencing one month immediately preceding the earlier of (a) the date of the meeting of our Directors (as such date is first notified to the Stock Exchange in accordance with the requirements of the Listing Rules) for the approval of our Company’s results for any year, half-year, quarter or any other interim period (whether or not required under the Listing Rules); and (b) the last date on which our Company must publish an announcement of its results for any year, half-year, quarter or any other interim period (whether or not required under the Listing Rules), and ending on the date of the announcement of the results, no offer for grant of options may be made.

In addition to the foregoing, no option may be granted to a Director on any day on which financial results of the Company are published and (i) during the period of 60 days immediately preceding the publication date of the annual results or, if shorter, the period from the end of the relevant financial year up to the publication date of the results; and (ii) during the period of 30 days immediately preceding the publication date of the half year results or, if shorter, the period from the end of the relevant half-year period up to the publication date of the results.

(k) Period of the Post-IPO Share Option Scheme

The Post-IPO Share Option Scheme will remain in force for a period of 10 years commencing on the date on which the Post-IPO Share Option Scheme is adopted and shall expire at the close of business on the business day immediately preceding the tenth anniversary thereof unless terminated earlier by the Shareholders in general meeting.

(l) Rights are personal to the grantee

An option is personal to the grantee and shall not be transferable or assignable and no grantee shall in any way sell, transfer, charge, mortgage, encumber or otherwise dispose of or create any interest (legal or beneficial) in favor of or enter into any agreement with any other person over or in relation to any option, except for the transmission of an option on the death of the grantee to his personal representative(s) on the terms of this Post-IPO Share Option Scheme, or, subject to the Stock Exchange granting a waiver, on a case-by-case basis, transfer to vehicle (such as a trust or a private company) for the benefit of the participant and any family members of such participant (for example, for estate planning or tax planning purposes) that would continue to meet the purpose of the Post-IPO Share Option Scheme and comply with the requirements under Chapter 17 of the Listing Rules.

(m) Rights on ceasing employment

If the grantee of an option is an employee and ceases to be an employee for any reason other than death, or for serious misconduct or other grounds referred to in sub-paragraph (o) below before exercising his/her option in full, the option (to the extent not already exercised) will lapse automatically on the date of cessation of his/her employment or engagement with our Group.

(n) Rights on death

If the grantee of an option is an employee and ceases to be an employee by reason of his/her death, before exercising the option in full, his/her legal personal representative(s), or, as appropriate, the grantee may exercise the option (to the extent not already exercised) in whole or in part within a period of 12 months following the date of death of the grantee.

(o) Rights on dismissal

If the grantee of an option is an employee and ceases to be an employee by reason that he has been guilty of serious misconduct or has committed any act of bankruptcy or has become insolvent or has made any arrangement or composition with his/her creditors generally, or has been convicted of any criminal offence involving his/her integrity or honesty or (if so determined by the

Board) on any other ground on which an employer would be entitled to terminate his/her employment summarily, his/her option will lapse automatically on the date of cessation of his/her employment with our Group.

(p) Rights on a general offer, a compromise or arrangement

If a general offer by way of takeover or otherwise (whether by way of takeover offer or scheme of arrangement or otherwise in like manner) is made to all Shareholders (other than the offeror and/or any person controlled by the offeror and/or any person acting in concert with the offeror) and such offer becomes or is declared unconditional prior to the expiry date of the relevant option, the grantee shall be entitled to exercise the option in full (to the extent not already lapsed or exercised) at any time within 1 month after the date on which the offer becomes or is declared unconditional.

In the event of a compromise or arrangement between our Company and the Shareholders or its creditors being proposed in connection with a scheme for the reconstruction of our Company or its amalgamation or merger with any other company or companies pursuant to the Cayman Companies Act and has been approved by the necessary number of Shareholders at the requisite meetings, our Company shall forthwith give notice thereof to the grantee and the grantee may exercise the option (to the extent not already lapsed or exercised) in whole or in part on such date not later than 2 business days prior to the date of the general meeting.

(q) Rights on winding up

In the event a notice is given by our Company to our Shareholders to convene a general meeting for the purpose of considering and, if thought fit, approving a resolution to voluntarily wind-up our Company, our Company shall forthwith give notice thereof to the grantee and the grantee (or in the case of the death of the grantee, his/her personal representatives(s)) may at any time not later than 2 business days prior to the proposed general meeting of our Company, exercise all or any of his/her/its options (to the extent not already lapsed or exercised), and our Company shall as soon as possible and in any event no later than the business day immediately prior to the date of the proposed general meeting, allot, issue and register in the name of the grantee such number of fully paid Shares which fall to be issued on exercise of such option.

(r) Adjustments to the subscription price

In the event of a capitalization issue, rights issue, subdivision or consolidation of Shares or reduction of capital of our Company whilst an option remains exercisable, such corresponding adjustment (if any) certified by the auditors for the time being of or an independent financial advisor to our Company as fair and reasonable will be made to (a) the number of Shares to which

the option relates, so far as unexercised, and/or (b) the subscription price of any unexercised option, provided that (i) any such alteration shall give a grantee the same proportion of the issued share capital (rounded to the nearest whole Share) to which he/she/it was entitled prior to such alteration; (ii) any such adjustments shall be made on the basis that the aggregate subscription price payable by a grantee on the full exercise of any option shall remain as nearly as possible the same as it was before such event; and (iii) no adjustment shall be made the effect of which would be to enable a Share to be issued at less than its nominal value. In addition, in respect of any such adjustments, other than any adjustment made on a capitalization issue, such auditors or independent financial advisor must confirm to our Directors in writing that the adjustments comply with the relevant provisions of the Listing Rules (or any guideline or supplementary guideline as may be issued by the Stock Exchange from time to time).

(s) Cancellation of options

Any cancellation of options granted may be effected on such terms as may be agreed with the relevant grantee, as the Board may in its absolute discretion sees fit and in a manner that complies with all applicable legal requirements for such cancellation. Where our Company cancels options granted to a participant and makes a new grant to the same participant, such new grant may only be made under the Post-IPO Share Option Scheme with available Scheme Mandate Limit approved by the Shareholders. The options cancelled will be regarded as utilized for the purpose of calculating the Scheme Mandate Limit.

(t) Termination of the Post-IPO Share Option Scheme

Our Company may by resolution in a general meeting at any time resolve to terminate the Post-IPO Share Option Scheme and in such event no further options shall be offered but options granted prior to such termination shall continue to be valid and exercisable in accordance with the Post-IPO Share Option Scheme.

(u) Lapse of option

An option shall lapse automatically (to the extent not already exercised) on the earliest of:

- (i) the expiry of the period referred to in sub-paragraph (f);
- (ii) the expiry of the periods or the occurrence of the relevant event referred to in sub-paragraphs (m), (n), (p) and (q);
- (iii) subject to sub-paragraph (q), the date of the commencement of the winding-up of our Company;
- (iv) the date on which the grantee commits a breach of the provision which restricts the grantee to transfer or assign an option granted under the Post-IPO Share Option Scheme or sell, transfer, charge, mortgage, encumber or otherwise dispose of or create any interest in favor of or enter into any agreement with any other person over or in relation to any option except for the transmission of an option on the death of the grantee to his/her personal representative(s) on the terms of the Post-IPO Share Option Scheme;
- (v) the date on which the grantee (being an employee or a director of any member of our Group) ceases to be a participant of the Post-IPO Share Option Scheme by reason of the termination of his or her employment or engagement on the grounds that he or she has been guilty of serious misconduct, or appears either to be unable to pay or to have no reasonable prospect of being able to pay his or her debts or has become bankrupt or has made any arrangement or composition with his or her creditors generally, or has been convicted of any criminal offence involving his or her integrity or honesty or on any other ground on which an employer would be entitled to terminate his or her employment summarily;
- (vi) the occurrence of any act of bankruptcy, insolvency or entering into of any arrangements or compositions with his/her/its creditors generally by the grantee, or conviction of the grantee of any criminal offence involving his/her/its integrity or honesty; or
- (vii) subject to the compromise, the arrangement, the amalgamation or the merger as referred to in sub-paragraph (p) becoming effective, the date on which such compromise, arrangement, amalgamation or merger becomes effective.

(v) *Malus and clawback*

The Board may, at its absolute discretion, determine such malus and/or clawback provisions to be applied to an option or an offer of grant so as to provide, upon the occurrence of the applicable malus and/or clawback event(s) such as serious misconduct, a material misstatement in the Company's financial statements and fraud. If the Board exercises its discretion under this paragraph, it will give the relevant grantee written notice of such determination and the Board's interpretation of and determination pursuant to this paragraph shall be final, conclusive and binding.

(w) *Value of options*

Our Directors consider it inappropriate to disclose the value of options which may be granted under the Post-IPO Share Option Scheme as if they had been granted as of the Latest Practicable Date. Any such valuation will have to be made on the basis of a certain option pricing model or other method that depends on various assumptions including the exercise price, the exercise period, interest rate, expected volatility and other variables. As no options have been granted, certain variables are not available for calculating the value of options. Our Directors believe that any calculation of the value of options granted as of the Latest Practicable Date would be based on a number of speculative assumptions that are not meaningful and would be misleading to investors.

(x) *Grant of options*

As of the date of this prospectus, no options have been granted or agreed to be granted under the Post-IPO Share Option Scheme.

Application has been made to the Listing Committee for the listing of, and permission to deal in, the Shares which may fall to be issued pursuant to the exercise of the options to be granted under the Post-IPO Share Option Scheme.

E. OTHER INFORMATION**1. Tax and other indemnities**

Mr. Wang, Mr. Li, Wang BVI, Li BVI and Brainstorming Cafe have entered into the Deed of Indemnity in favour of our Company. Under the Deed of Indemnity, Mr. Wang, Mr. Li, Wang BVI, Li BVI and Brainstorming Cafe will jointly and severally indemnify and keep indemnified our Company (for itself and the other members of our Group) against, among other things, taxation resulting from income, profits or gains earned, accrued or received on or before the Listing Date and any action, claims, demands, proceedings, costs and expenses, losses and liabilities which

made be made, suffered or incurred by any member of our Group in respect of or arising from or in connection with the non-compliance incident(s) of our Group in relation to housing provident fund contributions and property defects as specified in the paragraphs headed “Business — Employees” and “Business — Property” in this prospectus.

2. Litigation

Except as disclosed in this prospectus, as of the Latest Practicable Date, we were not engaged in any litigation, arbitration or claim of material importance and no litigation, arbitration or claim of material importance is known to our Directors to be pending or threatened by or against any member of our Group, that would have a material adverse effect on our Group’s results of operations or financial condition, taken as a whole.

3. Preliminary expenses

Our Company’s preliminary expenses relating to the incorporation of our Company are approximately RMB25,000 and have been paid by our Company.

4. Promoter

Our Company has no promoter for the purpose of the Listing Rules. Within the two years preceding the date of this prospectus, no cash, securities or other benefit has been paid, allotted or given or is proposed to be paid, allotted or given to any promoter in connection with the Global Offering and the related transactions described in this prospectus.

5. Application for Listing

The Sole Sponsor has made an application on behalf of our Company to the Listing Committee of the Stock Exchange for the listing of, and permission to deal in, the Shares in issue and to be issued as mentioned in this prospectus. All necessary arrangements have been made to enable the securities to be admitted into CCASS.

6. No Material Adverse Change

Our Directors confirm that there has been no material adverse change in the financial or trading position of our Group since March 31, 2022 (being the date to which the latest audited financial statements of our Group were made up) up to the date of this prospectus.

7. Agency Fees and Commissions Received

The Underwriters will receive an underwriting commission as referred to in the paragraph headed “Underwriting — Underwriting Arrangements and Expenses — The International Offering — Total Commission and Expenses” in this prospectus.

8. Qualifications of Experts

The qualifications of the experts (as defined under the Listing Rules and the Companies (Winding Up and Miscellaneous Provisions) Ordinance) who have given their opinion and/or advice in this prospectus are as follows:

Name	Qualifications
Shenwan Hongyuan Capital (H.K.) Limited	Licensed corporation under the SFO for Type 1 (dealing in securities), Type 4 (advising on securities) and Type 6 (advising on corporate finance) regulated activities as defined under the SFO
Deloitte Touche Tohmatsu	Certified public accountants and registered public interest entity auditor
Hylands Law Firm	Legal advisors to our Company as to PRC law
Ogier	Legal advisors to our Company as to Cayman Islands law
Shanghai iResearch Co., Ltd.	Industry research consultant

9. Consents

Each of the experts referred to in the paragraph headed “8. Qualifications of Experts” above in this appendix has given and has not withdrawn their respective written consents to the issue of this prospectus with the inclusion of their reports and/or letters and/or the references to their names included herein in the form and context in which they are respectively included.

10. Sole Sponsor

The Sole Sponsor satisfies the independence criteria applicable to sponsors set out in Rule 3A.07 of the Listing Rules.

The Sole Sponsor’s fees payable by us in respect of the Sole Sponsor’s services as sponsor for the Listing are HK\$2.1 million.

11. Binding Effect

This prospectus shall have the effect, if an application is made in pursuance of it, of rendering all persons concerned bound by all of the provisions (other than the penal provisions) of sections 44A and 44B of the Companies (Winding Up and Miscellaneous Provisions) Ordinance so far as applicable.

12. Taxation of Holders of Our Shares***(a) Hong Kong***

Dealings in Shares registered on our Company's Hong Kong branch register of members will be subject to Hong Kong stamp duty. The sale, purchase and transfer of Shares are subject to Hong Kong stamp duty. The current rate charged on each of the purchaser and seller is 0.13% of the consideration or, if higher, the value of the Shares being sold or transferred. Dividends paid on Shares will not be subject to tax in Hong Kong and no tax is imposed in Hong Kong in respect of capital gains. However, profits from dealings in the Shares derived by persons carrying on a business of trading or dealings in securities in Hong Kong arising in or derived from Hong Kong may be subject to Hong Kong profits tax. The Revenue (Abolition of Estate Duty) Ordinance 2005 came into effect on February 11, 2006 in Hong Kong. No Hong Kong estate duty is payable and no estate duty clearance papers are needed for a grant of representation in respect of holders of Shares whose death occurs on or after February 11, 2006.

(b) Cayman Islands

There is no stamp duty payable in the Cayman Islands on transfers of shares of Cayman Islands companies save for those which hold interests in land in the Cayman Islands.

(c) Consultation with professional advisors

Potential investors in the Global Offering are urged to consult their professional tax advisors if they are in any doubt as to the taxation implications of subscribing for, purchasing, holding or disposing of, and dealing in our Shares (or exercising rights attached to them). None of us, the Sole Sponsor, the Joint Global Coordinators, the Joint Bookrunners or any other person or party involved in the Global Offering accept responsibility for any tax effects on, or liabilities of, any person, resulting from the subscription, purchase, holding or disposal of, dealing in or the exercise of any rights in relation to our Shares.

13. Miscellaneous

Save as otherwise disclosed in this prospectus:

- (i) none of our Directors or experts referred to in the section headed “— E. Other Information — 8. Qualifications of Experts” of this appendix has any direct or indirect interest in the promotion of us, or in any assets which have within the two years immediately preceding the date of this prospectus been acquired or disposed of by or leased to any member of our Group, or are proposed to be acquired or disposed of by or leased to any member of our Group;
- (ii) none of our Directors or experts referred to in the section headed “— E. Other Information — 8. Qualifications of Experts” of this appendix is materially interested in any contract or arrangement subsisting at the date of this prospectus which is significant in relation to the business of our Group taken as a whole;
- (iii) save for the Underwriting Agreements, none of the experts referred to under the section headed “— E. Other Information — 8. Qualifications of Experts” of this appendix has any shareholding in any member of our Group or the right (whether legally enforceable or not) to subscribe for or to nominate persons to subscribe for securities in any member of our Group;
- (iv) within the two years preceding the date of this prospectus, no share or loan capital of our Company or of any of our subsidiaries has been issued, agreed to be issued or is proposed to be issued fully or partly paid either for cash or for a consideration other than cash;
- (v) within the two years preceding the date of this prospectus, no commissions, discounts, brokerages or other special terms have been granted in connection with the issue or sale of any capital of any member of our Group;
- (vi) within the two years preceding the date of this prospectus, no commission has been paid or is payable (except commissions to sub-underwriters) for subscribing or agreeing to subscribe, or procuring or agreeing to procure the subscriptions, for any Shares in our Company;
- (vii) neither our Company nor any of our subsidiaries have issued or agreed to issue any founder shares, management shares or deferred shares;
- (viii) our Company has no outstanding convertible debt securities or debentures;

- (ix) no capital of our Company or any of our subsidiaries is under option or is agreed conditionally or unconditionally to be put under option;
- (x) there is no arrangement under which future dividends are waived or agreed to be waived;
- (xi) there has not been any interruption in the business of our Group which may have or has had a significant effect on the financial position of our Group in the 12 months preceding the date of this prospectus; and
- (xii) no member of our Group is presently listed on any stock exchange or traded on any trading system, and no listing or permission to deal is being or proposed to be sought.

14. Bilingual Prospectus

The English language and Chinese language versions of this prospectus are being published separately, in reliance upon the exemption provided under section 4 of the Companies (Exemption of Companies and Prospectuses from Compliance with Provisions) Notice (Chapter 32L of the Laws of Hong Kong).

DOCUMENTS DELIVERED TO THE REGISTRAR OF COMPANIES

The documents attached to a copy of this prospectus and delivered to the Registrar of Companies in Hong Kong for registration were (i) a copy of the **GREEN** Application Forms; (ii) copies of the material contracts referred to in the section headed “Statutory and General Information — B. Further Information about the Business of our Company — 1. Summary of Material Contracts” in Appendix IV to this prospectus; and (iii) the written consents issued by each of the experts and referred to in section headed “Statutory and General Information — E. Other Information — 8. Qualifications of Experts” in Appendix IV to this prospectus.

DOCUMENTS AVAILABLE ON DISPLAY

Copies of the following documents will be available on display published on the website of the Stock Exchange at www.hkexnews.hk and our Company’s website at www.floatingcloud.com up to and including the date which is 14 days from the date of this prospectus:

- (a) the Memorandum of Association and Articles of Association;
- (b) the Accountants’ Report of our Group for the three years ended December 31, 2021 and the three months ended March 31, 2022 prepared by Deloitte Touche Tohmatsu;
- (c) the audited consolidated financial statements of our Group for the three years ended December 31, 2021 and the three months ended March 31, 2022;
- (d) the report received from Deloitte Touche Tohmatsu on the unaudited pro forma financial information of our Group, the text of which is set out in Appendix II to this prospectus;
- (e) the PRC legal opinions issued by Hylands Law Firm, our legal advisors on PRC law, in respect of our general matters and property interests;
- (f) the letter issued by Ogier, our legal advisors on Cayman Islands laws, summarizing certain aspects of Companies Law referred to in the section headed “Summary of the Constitution of our Company and Cayman Companies Act” in Appendix III to this prospectus;
- (g) the Companies Act;

- (h) the material contracts referred to in the section headed “Statutory and General Information — B. Further Information about the Business of our Company — 1. Summary of Material Contracts” in Appendix IV to this prospectus;
- (i) the service agreements and letters of appointment referred to in “Statutory and General Information — C. Further Information about Directors and Substantial Shareholders — 2. Particulars of Directors’ Service Contracts and Letters of Appointment” in Appendix IV to this prospectus;
- (j) the written consents referred to in the section headed “Statutory and General Information — E. Other Information — 9. Consents” in Appendix IV to this prospectus;
- (k) the rules of the Post-IPO Share Option Scheme; and
- (l) the report issued by iResearch, the summary of which is set out in the section headed “Industry Overview” in this prospectus.



飞天云动
FLOWING CLOUD