
SUMMARY

This summary aims to give you an overview of the information contained in this document 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 document. 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 document carefully before making your investment decision. There are risks associated with any investment. Some of the particular risks in investing in the [REDACTED] are set out in the section headed “Risk Factors” in this document. You should read that section carefully before you decide to invest in the [REDACTED].

OVERVIEW

We provide AR/VR content and services in China, and in particular, the provision of AR/VR marketing services to advertising customers based on AR/VR interactive content 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 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 based on AR/VR interactive content 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 interactive content, distributing AR/VR interactive 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 interactive 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.

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- (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, 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 effectively 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 subscribed paying users reached over 2,200.

Our AR/VR SaaS business and AR/VR marketing services form our AR/VR marketing ecosystem. In addition to providing services to our AR/VR SaaS subscribed paying users, our AR/VR SaaS platform provides a base for our AR/VR marketing services. Particularly, we offer AR/VR SaaS services to media platforms and their agents for free to support our AR/VR marketing services. Firstly, we develop AR/VR interactive content and place such content in the form of modules and development tools on our AR/VR SaaS platform. Secondly, media platforms or their agents register an account

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with our AR/VR SaaS platform. Thirdly, media platforms or their agents use our AR/VR SaaS platform to customize their own AR/VR interactive content based on our modules. Fourthly, after generating AR/VR interactive content on our AR/VR SaaS platform by using our AR/VR interactive content modules, media platforms or their agents would create advertising spaces in the AR/VR interactive content. Fifthly, media platforms or their agents would place a link to the AR/VR interactive content on their media platforms. Lastly, advertisements from our advertising customers would be inserted onto the advertising spaces. When users access media platforms and click on the link to the AR/VR interactive content, their devices will be connected to our server and the users of the media platforms would be able to browse the AR/VR interactive 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 interactive content widely used on media platforms, enhancing brand recognition of our AR/VR SaaS platform while empowering media realization for media platforms. As one of the first few companies operating an AR/VR SaaS platform in China, according to iResearch, we intend to develop a comprehensive sales network and diversified product lines for our AR/VR SaaS business.

- (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 mainly to use IP resources to support our AR/VR businesses going forward and license IP rights on a case-by-case basis to meet specific customer demands.

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:

	Year ended December 31,						Three months ended March 31,			
	2019		2020		2021		2021		2022	
	Revenue	Percentage of total revenue	Revenue	Percentage of total revenue	Revenue	Percentage of total revenue	(Unaudited)		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 document.

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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, 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. For the years ended December 31, 2019, 2020 and 2021 and the three months ended March 31, 2022, revenue from our top five customers in the respective periods accounted for approximately 46.1%, 38.5%, 39.2% and 30.7% of our total revenue for the same periods, respectively. For the years ended December 31, 2019, 2020 and 2021 and the three months ended March 31, 2022, revenue from our largest customer in the respective periods accounted for approximately 12.0%, 14.2%, 10.2% and 7.5% of our total revenue for the same periods, respectively. Our five largest customers during the Track Record Period were Independent Third Parties and none of our Directors or their respective close associates or any Shareholder (who owned more than 5% of our issued share capital to the knowledge of our Directors) had any interest in any of our five largest 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 document. For our sales and marketing, see the paragraph headed “Business — Marketing and Brand Promotion” in this document.

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. For the years ended December 31, 2019, 2020 and 2021 and the three months ended March 31, 2022, the expense paid to our top five suppliers in the respective periods accounted for approximately 49.9%, 41.1%, 45.1% and 54.2% of our cost of revenue for the same periods, respectively. For the years ended December 31, 2019, 2020 and 2021 and the three months ended March 31, 2022, our purchase from the largest supplier in the respective periods accounted for approximately 16.1%, 9.7%, 13.5% and 14.8% of our cost of revenue for the same periods, respectively. Our five largest suppliers during the Track Record Period were Independent Third Parties and none of our Directors or their respective close associates or any Shareholder (who owned more than 5% of our issued share capital to the knowledge of our Directors) had any interest in any of our five largest 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.

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We are committed to operating 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: (i) we intend to further optimize our operation in the Metaverse scenario application tier in China, namely our 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 is distinct from 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.

LISTING AND DELISTING FROM THE NEEQ

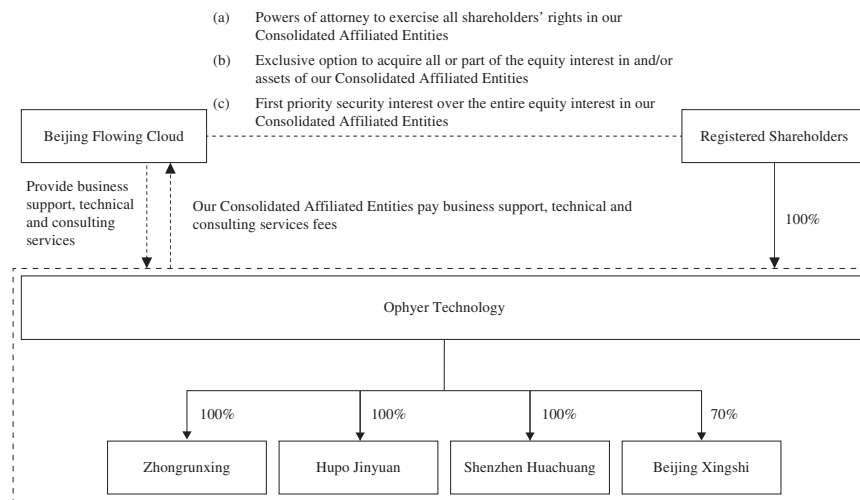
On July 14, 2017, Ophyer Technology were listed on the NEEQ. On August 9, 2019, the then shareholders of Ophyer Technology resolved to apply for delisting of the shares of Ophyer Technology from the NEEQ. As advised by our PRC Legal Advisors, Ophyer Technology had been in compliance with all applicable 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 have not been subject to any penalty, investigation or disciplinary actions by the regulatory authority during the period of its listing on the NEEQ. As advised by our PRC Legal Advisors, there has been 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 quotation on the NEEQ up to the date of delisting. For further details, see the paragraphs headed

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“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 document.

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 document.

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 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 [REDACTED] and the [REDACTED], assuming the [REDACTED] is not exercised, and without taking into account any Shares to be issued upon the exercise of options which may be granted under the [REDACTED] 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 [REDACTED] 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.

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[REDACTED] INVESTMENTS

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

SUMMARY OF HISTORICAL FINANCIAL INFORMATION

The tables below include, for the 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 document, and these should be read in conjunction with the historical financial information in the Accountants’ Report in Appendix I to this document, 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 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
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)
[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]
Finance costs	(1,056)	(0.3)	(1,920)	(0.7)	(2,357)	(0.4)	(503)	(0.4)	(552)	(0.2)
Profit before tax	48,346	19.3	70,371	20.8	87,142	14.6	11,971	8.6	48,827	21.3
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	41,879	16.7	60,252	17.8	71,719	12.0	9,186	6.6	38,205	16.7

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	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)			
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 adjusted by adding fair value changes on financial liabilities designated as at FVTPL and [REDACTED]. Our fair value changes on financial liabilities designated as at FVTPL represent gains or losses from fair value changes on the shares with preferred rights and preferred shares designated as at fair value through profit or loss. Fair value changes on financial liabilities designated as at FVTPL are non-cash in nature. As of December 31, 2021, all of our financial liabilities designated as at FVTPL 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
	<i>(RMB'000)</i>	<i>(RMB'000)</i>	<i>(RMB'000)</i>	<i>(RMB'000)</i>	<i>(RMB'000)</i>
	(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	—
[REDACTED].	<u>[REDACTED]</u>	<u>[REDACTED]</u>	<u>[REDACTED]</u>	<u>[REDACTED]</u>	<u>[REDACTED]</u>
Non-IFRS measure:					
Adjusted net profit (unaudited)	<u>41,879</u>	<u>61,609</u>	<u>105,081</u>	<u>17,886</u>	<u>40,197</u>

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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	
	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 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.

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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. 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.

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Summary Consolidated Statements of Financial Position

	As of December 31,			As of
	2019	2020	2021	March 31,
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
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	481,935
EQUITY ATTRIBUTABLE TO OWNERS OF THE COMPANY				
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>

SUMMARY

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 the Consolidated Statements of Changes in Equity in the Accountants’ Report as set out in Appendix I to this document.

SUMMARY

Summary Consolidated Statements of Cash Flows

	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>
Reconciliation of operating cash flows before movements in working capital to net cash from operating activities				(Unaudited)	
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

Note: We recorded negative operating cash flow for the three months ended March 31, 2021 and 2022. For further information, see the paragraph headed “Risk Factors — We recorded negative operating cash flow for the three months ended March 31, 2021 and 2022” in this document.

SUMMARY

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:

- 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 document for more details on our gross margins.
- 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 [REDACTED]. 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. 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 document for more details on our net profit margins.
- 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%.
- 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%.
- Current ratio equals total current assets divided by total current liabilities as of the dates indicated.
- 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.

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

RISK FACTORS

There are certain risks relating to an investment in our Shares. These risks can be broadly categorized into: (i) risks relating to our business and industry; (ii) risks relating to our Contractual Arrangements; (iii) risks relating to conducting business in China; and (iv) risks relating to the [REDACTED]. A summary of certain of these risk factors include: (i) as we are in the new and developing AR/VR content and services industry, or the Metaverse scenario application tier, 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) we may not be able to

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implement our growth strategies or manage our growth effectively; (iv) 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; (v) our historical growth rates may not be indicative of our future growth, and, if we are unable to manage our growth or execute our strategies effectively, our business and prospects may be materially and adversely affected; (vi) 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; and (vii) if we determine our intangible assets to be impaired, our results of operations and financial condition may be adversely affected.

Any of the above developments may have 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 document before you decide to invest in the [REDACTED].

LEGAL PROCEEDINGS AND COMPLIANCE

During the Track Record Period and up to the Latest Practicable Date, we have 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 document, we have complied with the laws and regulations of the PRC applicable to us in all material aspects 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 five months ended May 31, 2022, we provided services to over 20 advertising customers and promoted more than 100 advertising products in respect of our AR/VR marketing services business. In respect of our AR/VR content business, we carried out more than 40 AR/VR content projects for over 20 customers in the five months ended May 31, 2022. Furthermore, we carried out more than 120 customized AR/VR SaaS projects and acquired over 200 additional subscribed paying users of our AR/VR SaaS platform in the five months ended May 31, 2022. In the five months ended May 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.

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.

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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 some parts of China, including in particular Shanghai and certain districts of Beijing. The recent COVID-19 outbreak in China has been largely contained by late-May 2022 and the lock-down measures in Shanghai and Beijing have been lifted since June 1, 2022. 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 recent COVID-19 outbreak in China has not had a material impact on us.

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 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 document.

Recent Regulatory Developments

Cybersecurity

During the course of our business, we collect and store limited personal data such as mobile phone numbers from registered users of our AR/VR SaaS platform.

On November 14, 2021, the CAC published 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)》) (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 cybersecurity review pursuant to relevant rules and regulations.

Further, on December 28, 2021, the CAC and other 12 PRC regulatory authorities jointly revised and promulgated the *Measures for Cybersecurity Review (2021)* (《網絡安全審查辦法(2021)》) (the “**Revised CAC Measures**”), which came into effect on February 15, 2022 and repealed the *Measures for Cybersecurity Review* 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

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determination of the circumstances which affect or may affect national security. Based on the above phone consultation and as advised by our PRC Legal Advisors, we are not required to file an application or notify the CAC in writing of our Company’s proposed [REDACTED] in Hong Kong.

Given that (i) the concrete standards of “affect or may affect national security” are subject to further clarification; (ii) as at the Latest Practicable Date, our Group had never been penalized by any PRC competent regulatory authorities in relation to cybersecurity and data protection; and (iii) our Group has implemented a comprehensive set of internal policies, procedures, and measures to ensure our practices are compliant with applicable laws and regulations, the Directors and our PRC Legal Advisors are of the view, and the [REDACTED] concurs, that there will not be any material impediments for us to comply with the *Revised CAC Measures* and the *Draft Data Security Regulations* (if implemented in current forms) in all material aspects, nor would the revised CAC Measures and the Draft Data Security Regulations (if implemented in current forms) have a material adverse impact on our Group’s business operations or our Company’s proposed [REDACTED] 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.

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 [REDACTED] in Hong Kong in any material respects.

Recent Development on VATS Requirements

On March 29, 2022, the State Council promulgated 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》) (the “2022 Decision”), which came into effect on May 1, 2022. According to the 2022 Decision, the VATS Qualification Requirements as stipulated in the *Regulations for the Administration of Foreign-Invested Telecommunications Enterprises* (《外商投資電信企業管理規定》) (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. The interpretation and enforcement of the 2022 Decision and relevant regulations in practice by government authorities remain uncertain.

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, (ii) it was uncertain whether and when guidelines, interpretations or criteria for the implementation of the 2022 Decision will be promulgated, (iii) 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 or our Contractual Arrangements 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 or our Contractual Arrangements as a whole. We will closely monitor any future development relating to the 2022

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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 the VATS Qualification Requirements and our plan to unwind the Contractual Arrangements may be subject to certain limitations” in this document.

Recent Development on Rules relating to Overseas Listing

On July 6, 2021, the General Office of the State Council of the PRC together with the General Office of Central Committee of the Chinese Communist Party jointly promulgated 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》) (the “**Securities Activities Opinions**”). The *Securities Activities Opinions* call for enhanced supervision of overseas listed China-based companies. Please refer to “Regulation Overview — Laws and Regulations Relating to Overseas Listing” for details. Our Group will be subject to the *Securities Activities Opinions* after our [REDACTED] as an overseas-[REDACTED] China-based company. However, the *Securities Activities Opinions* implementation measures have yet to be promulgated. As at the Latest Practicable Date, we had not received any inquiry, notice, warning, or sanctions regarding the [REDACTED] and/or our corporate structure from the CSRC or any other PRC government authorities in such respect. Therefore, our PRC Legal Advisors were of the view that the *Securities Activities Opinions* will not have a material adverse effect on our operations in the PRC as at the Latest Practicable Date.

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 on Overseas Offering and Listing**”) 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 on Filing of Overseas Offering and Listing**”, together with the *Draft Administration Provisions on Overseas Offering and Listing*, 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.

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 “Regulation Overview — Laws and Regulations Relating to Overseas Listing” for details. As advised by our PRC Legal Advisors, (i) the [REDACTED] is not subject to any filing procedures with, or approval from, the CSRC as at the Latest Practicable Date given that the Draft VIE Regulations have not been into effect. (ii) if the *Draft VIE Regulations* become effective in their current form before the [REDACTED], 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*.

Article 6 of the *Negative List* provides that domestic enterprises engaged in businesses in fields prohibited from investment by the *Negative List* shall be reviewed and approved by the relevant competent authorities of the state for issuing shares abroad and listing for trading. Foreign investors shall not participate in the operation or management of the enterprises, and their equity ratio shall be governed with reference to the relevant regulations on the management of domestic securities investment by overseas investors. On January 17, 2022, the NDRC published on its official website the transcript of the “January press conference of the NDRC”, which sets out that the scope of application of Article 6 is limited to offshore direct listing of PRC companies engaged in the prohibited investment areas of the *Negative List*. For the indirect offshore [REDACTED] of PRC companies, the CSRC is seeking public comments on the relevant regulations. As advised by

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our PRC Legal Advisors, the [REDACTED] is an indirect [REDACTED] and therefore Article 6 of the *Negative List* is not applicable to our Company. Our PRC Legal Advisors are of the view that our Group is able to comply with the *Negative List* in all material aspects.

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 [REDACTED]; (ii) our proposed [REDACTED] 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 [REDACTED].

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 [REDACTED] 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 document, 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, payment and amount of dividends we pay 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.

[REDACTED] STATISTICS⁽¹⁾

	Based on the minimum indicative	Based on the maximum indicative
	[REDACTED] of [REDACTED] per [REDACTED]	[REDACTED] of [REDACTED] per [REDACTED]
Market capitalization of our Shares ⁽²⁾	[REDACTED]	[REDACTED]
Pro forma adjusted consolidated net tangible assets of our Group attributable to owners of our Company per Share ⁽³⁾ .	[REDACTED]	[REDACTED]

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 [REDACTED], or any Shares which may be issued pursuant to the exercise of options which may be granted under the [REDACTED] 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 document.
- (2) The calculation of market capitalization is based on [REDACTED] Shares expected to be in issue immediately after completion of the [REDACTED] and the [REDACTED].

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- (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 Adjusted Consolidated Net Tangible Assets of the Group attributable to owners of the Company” in Appendix II to this document and on the [REDACTED] Shares expected to be in issue immediately after completion of the [REDACTED] and the [REDACTED].

[REDACTED]

Using the [REDACTED] of [REDACTED] per [REDACTED], being the mid-point of the [REDACTED] range of [REDACTED] to [REDACTED] per [REDACTED], we estimate that we will receive [REDACTED] from the [REDACTED] of [REDACTED] (equivalent to approximately [REDACTED]), assuming that there is no exercise of the [REDACTED]. In the event that the [REDACTED] is exercised in full, we estimate that we will receive [REDACTED] of [REDACTED] (equivalent to approximately [REDACTED]). We intend to use the [REDACTED] for the following purposes: (i) approximately [REDACTED] of the [REDACTED], or approximately [REDACTED], is expected to be used for enhancing our R&D capabilities and improving our services and products; (ii) approximately [REDACTED] of the [REDACTED], or approximately [REDACTED], is expected to be used for enhancing our sales and marketing function; (iii) approximately [REDACTED] of the [REDACTED], or approximately [REDACTED], is expected to be used for selected mergers, acquisitions, and strategic investments; (iv) approximately [REDACTED] of the [REDACTED], or approximately [REDACTED], is expected to be used for the development of our Feitian Metaverse platform; and (v) approximately [REDACTED] of the [REDACTED], or approximately [REDACTED], is expected to be used for working capital and general corporate purposes. For further information, see the section headed “Future Plans and [REDACTED]” in this document.

[REDACTED]

The total [REDACTED] borne or to be borne by us are estimated to be approximately [REDACTED] (equivalent to approximately [REDACTED]) (including (i) [REDACTED] of approximately [REDACTED], and (ii) non-[REDACTED] related expenses of approximately [REDACTED], which consist of fees and expenses of legal advisors and reporting accountants of approximately [REDACTED] and other fees and expenses of approximately [REDACTED]), accounting for approximately [REDACTED] of the gross [REDACTED] of the [REDACTED], assuming an [REDACTED] of [REDACTED] per Share, which is the mid-point of the indicative [REDACTED] stated in this document and assuming that the [REDACTED] is not exercised. We expect that approximately [REDACTED] (equivalent to approximately [REDACTED]) will be charged to our statements of profit or loss and other comprehensive income as [REDACTED], and approximately [REDACTED] (equivalent to approximately [REDACTED]) will be accounted for as a deduction from equity upon the [REDACTED]. The [REDACTED] above are the latest practicable estimate for reference only, and the actual amount may differ from this estimate. Our Directors do not expect such [REDACTED] to have a material adverse impact on our results of operation for the year ending December 31, 2022.