

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

FORM 10-K

(Mark One)

☒ ANNUAL REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934

For the fiscal year ended December 31, 2022

or

☐ TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934 FOR THE
TRANSITION PERIOD FROM TO

For the transition period from to .

Commission File Number. 001-440519

MicroCloud Hologram Inc.
(Exact name of registrant as specified in its charter)

Cayman Islands

(State or other jurisdiction of
incorporation or organization)

Not Applicable

(I.R.S. Employer
Identification No.)

**Room 302, Building A, Zhong Ke Na Neng Building,
Yue Xing Sixth Road, Nanshan District, Shenzhen,
People's Republic of China 518000**
(Address of principal executive offices, including zip code)

+86 (0755) 2291 2036

(Registrant's telephone number, including area code)

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

Title of Each Class	Trading Symbol(s)	Name of Each Exchange on Which Registered
Ordinary Shares, par value \$0.0001 per share	HOLO	The Nasdaq Stock Market LLC
Warrants, each warrant exercisable for one-half ordinary share at an exercise price of \$11.50 per share	HOLOW	The Nasdaq Stock Market LLC

Securities registered pursuant to Section 12(g) of the Act: None

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

Indicate by check mark if the Registrant is not required to file reports pursuant to Section 13 or 15(d) of the Act. Yes ☐ No ☒

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

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

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

Large accelerated filer ☐
Non-accelerated filer ☒

Accelerated filer ☐
Smaller reporting company ☒
Emerging growth company ☒

If an emerging growth company, indicate by checkmark if the Registrant has elected not to use the extended transition period for complying with any new or revised financial accounting standards provided pursuant to Section 13(a) of the Exchange Act. ☐

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

If securities are registered pursuant to Section 12(b) of the Act, indicate by check mark whether the financial statements of the registrant included in the filing reflect the correction of an error to previously issued financial statements. ☐

Indicate by check mark whether any of those error corrections are restatements that required a recovery analysis of incentive-based compensation received by any of the registrant’s executive officers during the relevant recovery period pursuant to § 240.10D-1(b). ☐

Indicate by check mark whether the Registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act). Yes ☐ No ☒

The aggregate market value of the voting and non-voting common equity held by non-affiliates of the Registrant, based on the closing price of the shares of ordinary shares on The Nasdaq Stock Market LLC on June 30, 2022, the last business day of the Registrant’s most recently completed second fiscal quarter, was approximately \$58.1 million.

The Registrant had 50,812,035 shares of common stock, par value \$0.0001 per share, outstanding as of March 13, 2023.

DOCUMENTS INCORPORATED BY REFERENCE

None.

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EXPLANATORY NOTE

As used in this Annual Report on Form 10-K, unless otherwise indicated or the context otherwise requires, references to “MicroCloud,” the “Company,” “we,” “us,” and “our” refer to MicroCloud Hologram Inc. (f/k/a Golden Path Acquisition Corporation), a Cayman Islands exempted company, and its consolidated subsidiaries following the effective time of the Business Combination (as defined below) pursuant to the Business Combination and Merger Agreement dated September 10, 2021 (as amended on August 5, 2022 and August 10, 2022, the “Merger Agreement”), by and among Golden Path, Golden Path Merger Sub Corporation (“Golden Path Merger Sub”), a Cayman Islands exempted company incorporated for the purpose of effectuating the Business Combination, and MC Hologram Inc. Unless the context otherwise requires, references to “Golden Path” refer to Golden Path Acquisition Corporation, a former blank check company incorporated in Cayman Islands in 2018, and references to “MC” refer to MC Hologram Inc., a Cayman Islands exempted company, which merged with Golden Path Merger Sub, survived the Merger (as defined below), and continued its operations as our wholly owned subsidiary after the Business Combination.

CAUTIONARY NOTE REGARDING FORWARD-LOOKING STATEMENTS

This Annual Report on Form 10-K contains forward-looking statements within the meaning of Section 27A of the Securities Act of 1933, as amended, or the Securities Act, and Section 21E of the Securities Exchange Act of 1934, as amended, or the Exchange Act, about us and our industry that involve substantial risks and uncertainties. All statements other than statements of historical facts contained in this report, including statements regarding guidance, our future results of operations or financial condition, our future stock repurchase programs or stock dividends, business strategy and plans, user growth and engagement, product initiatives, objectives of management for future operations, and advertiser and partner offerings, are forward-looking statements. In some cases, you can identify forward-looking statements because they contain words such as “anticipate,” “believe,” “contemplate,” “continue,” “could,” “estimate,” “expect,” “going to,” “intend,” “may,” “plan,” “potential,” “predict,” “project,” “should,” “target,” “will,” or “would” or the negative of these words or other similar terms or expressions. We caution you that the foregoing may not include all of the forward-looking statements made in this report.

You should not rely on forward-looking statements as predictions of future events. We have based the forward-looking statements contained in this Annual Report on Form 10-K primarily on our current expectations and projections about future events and trends, including our financial outlook, macroeconomic uncertainty, geo-political conflicts, and pandemics, that we believe may continue to affect our business, financial condition, results of operations, and prospects. These forward-looking statements are subject to risks, uncertainties, and other factors described under “Risk Factors” in Part I, Item 1A, and elsewhere in this Annual Report on Form 10-K, including among other things:

- changes in the competitive environment, due to macroeconomic conditions or otherwise, or damage to our reputation;
- fluctuations in currency exchange, interest or inflation rates that could impact our financial condition or results;
- changes in our accounting estimates and assumptions on our financial statements;
- the impact of, and potential challenges in complying with, laws and regulations of the jurisdictions in which we operate, particularly given the possibility of differing or conflicting laws and regulations, or the application or interpretation thereof, across such jurisdictions;
- failure to protect intellectual property rights or allegations that we have infringed on the intellectual property rights of others;
- the failure to retain, attract and develop experienced and qualified personnel;
- the effects of natural or man-made disasters, including the effects of the COVID-19 and other health pandemics and the impacts of climate change;

- any system or network disruption or breach resulting in operational interruption or improper disclosure of confidential, personal, or proprietary data, and resulting liabilities or damage to our reputation;
- our ability to develop, implement, update and enhance new technology;
- the actions taken by third parties that perform aspects of our business operations and client services; and
- our ability to continue, and the costs and risks associated with, growing and developing our business, and entering into new lines of business or products.

Moreover, we operate in a very competitive and rapidly changing environment. New risks and uncertainties emerge from time to time, and it is not possible for us to predict all risks and uncertainties that could have an impact on the forward-looking statements contained in this Annual Report on Form 10-K. The results, events, and circumstances reflected in the forward-looking statements may not be achieved or occur, and actual results, events, or circumstances could differ materially from those described in the forward-looking statements.

In addition, statements that “we believe” and similar statements reflect our beliefs and opinions on the relevant subject. These statements are based on information available to us as of the date of this Annual Report on Form 10-K. And while we believe that information provides a reasonable basis for these statements, that information may be limited or incomplete. Our statements should not be read to indicate that we have conducted an exhaustive inquiry into, or review of, all relevant information. These statements are inherently uncertain, and investors are cautioned not to unduly rely on these statements.

The forward-looking statements made in this Annual Report on Form 10-K relate only to events as of the date on which the statements are made. We undertake no obligation to update any forward-looking statements made in this report to reflect events or circumstances after the date of this report or to reflect new information or the occurrence of unanticipated events, including future developments related to geo-political conflicts, pandemics, and macroeconomic conditions, except as required by law. We may not actually achieve the plans, intentions, or expectations disclosed in our forward-looking statements, and you should not place undue reliance on our forward-looking statements. Our forward-looking statements do not reflect the potential impact of any future acquisitions, dispositions, joint ventures, restructurings, legal settlements, or investments.

Investors and others should note that we may announce material business and financial information to our investors using our filings with the U.S. Securities and Exchange Commission, or SEC, and press releases. We encourage investors and others interested in our company to review the information that we make available through the aforementioned channels.

PART I

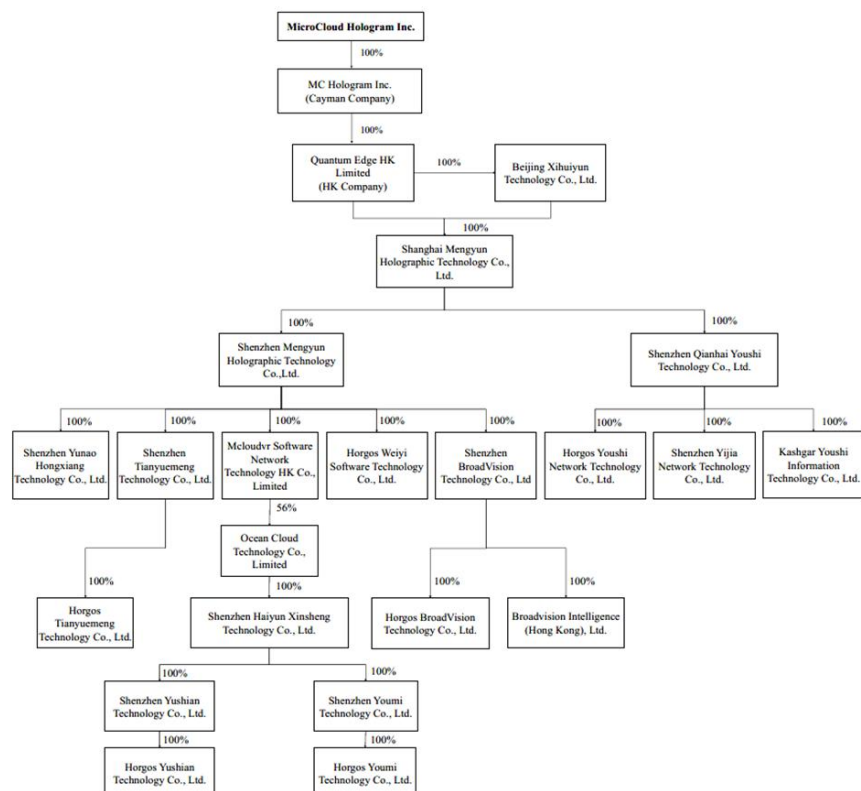
Item 1. Business.

Background and Merger

On September 16, 2022, we consummated the previously announced business combination pursuant to the Merger Agreement, by and among Golden Path, Golden Path Merger Sub, and MC. Pursuant to the Merger Agreement, MC merged with Golden Path Merger Sub, survived the merger and continued as the surviving company and a wholly owned subsidiary of Golden Path (the “Merger”, and, collectively with the other transactions described in the Merger Agreement, the “Business Combination”). Upon the closing of the Business Combination, Golden Path changed its name to MicroCloud Hologram Inc.

Our ordinary shares and warrants are listed on the Nasdaq Stock Market LLC (the “Nasdaq”) under the symbols “HOLO” and “HOLOW,” respectively.

The following diagram illustrates our corporate structure as of December 31, 2022:



Note:

Compare with our corporate structure as of September 16, 2022, Shenzhen Haiyun Xinsheng Technology Co., Ltd., our PRC subsidiary, ceased to hold any equity interests of Beijing Weixiao Hai Technology Co., Ltd. and those of its subsidiary Tianjin Weixiao Hai Technology Co., Ltd.

Overview

We are one of the leading holographic digitalization technology service providers in China in terms of total revenue and the number of total intellectual property rights. As of December 31, 2022, we owned 2,218 works of copy right, which represents a market leading position as compared to our competitors in China. We are committed to providing leading holographic technology services to our customers worldwide. Our holographic technology services include high-precision holographic light detection and ranging (“LiDAR”) solutions, based on holographic technology, exclusive holographic LiDAR point cloud algorithms architecture design, breakthrough technical holographic imaging solutions, holographic LiDAR sensor chip design and holographic vehicle intelligent vision technology to service customers that provide reliable holographic advanced driver assistance systems (“ADAS”). We also provide holographic digital twin technology services for customers and have built a proprietary holographic digital twin technology resource library. Our holographic digital twin technology resource library captures shapes and objects in 3D holographic form by utilizing a combination of our holographic digital twin software, digital content, spatial data-driven data science, holographic digital cloud algorithm, and holographic 3D capture technology. Our holographic digital twin technology and resource library have the potential to become the new norm for the digital twin augmented physical world in the near future. We are also a distributor of holographic hardware and generates revenue through resale.

We provide a broad range of holographic technology services in the holographic industry. Our holographic solutions and technology services are capable of meeting the complex and multi-faceted holographic technology needs of our customers.

Our cutting-edge holographic LiDAR system is used in ADAS, allowing equipped automobiles and other vehicles to capture high-resolution 3D holograms and achieve ultra-long detection distance. Our holographic LiDAR solutions allow the automotive industry to break free from bulky mechanical rotating scanning systems and traditional sensors to solid-state LiDAR sensor with more components and smaller dimensions that can meet the demanding performance, safety, and cost requirements of our customers.

Our holographic ADAS provide a rich and safe set of autonomous control programs for vehicles. The point cloud algorithm for holographic LiDAR can detect and track obstacles, thereby avoiding and mitigating automotive collisions with both moving and static objects, including pedestrians and other vulnerable road obstacles and vehicles. By predicting and monitoring collision, our holographic LiDAR system calculates effective collusion mitigation plans by comparing the trajectory of an object with the trajectory of the moving vehicle to identify and avoid emergency situations while providing optimal comfort and safety to the driver. Due to the effectiveness, our holographic ADAS are being deployed at an increasing rate in the automotive industry.

As automakers and leading mobile and technology companies seek comprehensive digital perceptual solutions to accelerate and scale production for their autonomous driving programs, we believe that our holographic LiDAR can take advantage of this market trend to achieve excellent solutions for mass production of large-scale autonomous driving programs and vehicles.

Moreover, we are aligned to the rapid development of the Internet of Things, machine learning, and artificial intelligence (“AI”). Our holographic LiDAR solution is not only applicable to the field of intelligent vehicles but also applicable to robots, unmanned aerial vehicles (“UAVs”), advanced security systems, intelligent city development, industrial automation, environment, and mapping.

Our holographic digital twin technology resource library is built upon extensive holographic data modelling, simulation and bionics technology, culminating in a comprehensive holographic digital twin resource library which holographic developers and designers count on. Our digital twin resource library integrates holographic bionics and simulation digital models, as well as various holographic software technologies about holographic spatial positioning, dynamic capture, holographic image synthesis, which are open to all our users. We also provide customized holographic digital twin technology integration services for enterprise customers with unique commercial demands.

Our Services

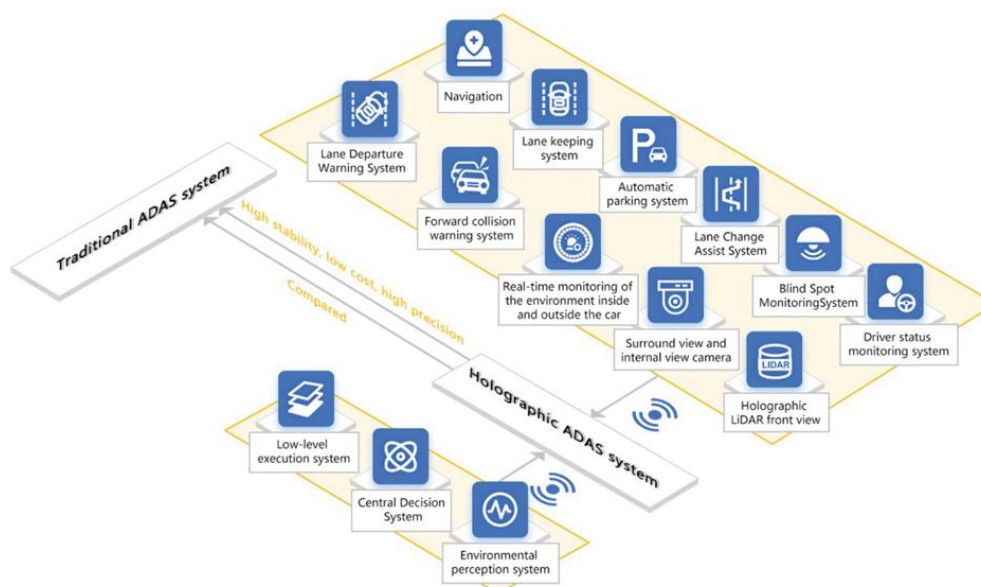
We provide comprehensive, high-quality holographic technology services which include the following:

Holographic ADAS

Our holographic ADAS adopt self-developed holographic LiDAR module and vertical-cavity surface-emitting laser (“VCSEL”) integrated circuit (“IC”) semiconductor, integrated with holographic onboard intelligent vision system and innovative design of automotive IC customization scheme, meanwhile embedded with self-developed holographic image and control software. Holographic ADAS mainly consist of three systems: (1) the environmental perception system responsible for environmental recognition, namely holographic LiDAR; (2) the central decision-making system responsible for computing and analysis, the core of which is the visual recognition technology based on computer graphics, where we integrate holographic image processing technology; and (3) the underlying execution system which is responsible for the execution control and the execution is mainly carried out by the hardware with functions of braking and steering.

Our holographic ADAS integrate holographic LiDAR front-view, surround-view, and internal-view cameras, which can monitor the environment inside and outside the vehicle in real-time. It can realize the functions of navigation, lane departure warning system, forward-collision warning system, blind-spot monitoring system, lane change assistance, automatic parking system, lane-keeping system, and driver state monitoring system. It can provide different technical options according to different customer needs.

Compared with traditional ADAS, the holographic ADAS we provide have obvious advantages such as better perceptual stability, lower costs, and higher precision. Currently, we are the direct supplier for certain automobile brands, as well as the secondary supplier of many automobile brands and the product supplier of rear-loading market. We believe we still has much growth space in the automobile ADAS field and autonomous driving field based on holographic LiDAR.

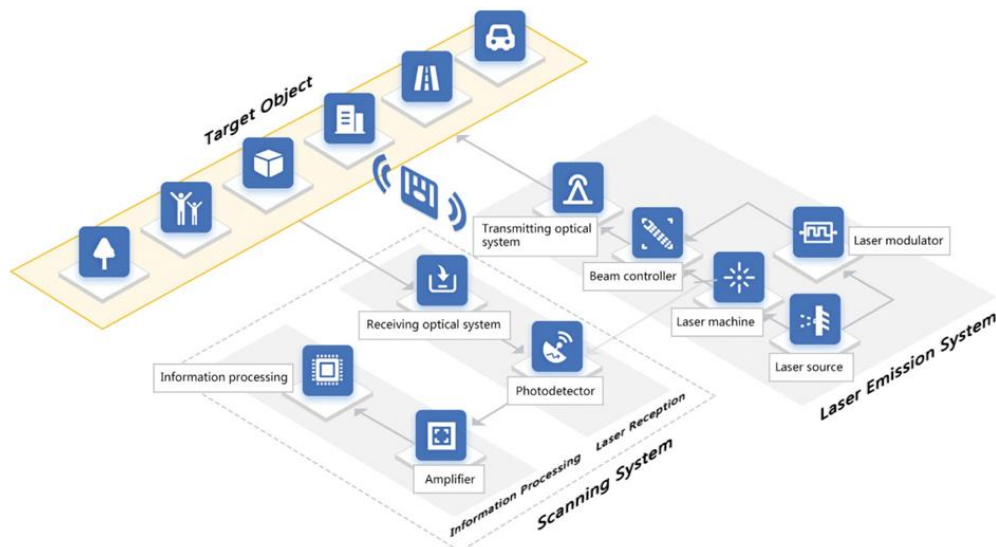


Holographic LiDAR Technology Applications

Our holographic ADAS adopt a “holographic LiDAR technology solution” in the vehicle sensing layer. There are several core advantages in our technical application: 3D model data model of ambient environment using point cloud data, high-precision and low-latency positioning, and obstacle detection and identification by classifications. In the process of assisting driving, the data obtained through the holographic LiDAR is combined with the high-precision map. After the point cloud data has completed locating the surrounding environment, real-time route guidance and rendering are carried out according to the position of the vehicle, and the sensor-based position estimation technology is optimized. By reading the vehicle sensor information and combining the human body motion model and other methods, the corresponding position is calculated and then used for decision-making in the real scene with the help of in-depth computing power analysis.

Our holographic LiDAR technology is significantly different from the traditional technology of space environment construction, mainly because of the following factors:

- The VCSEL IC semiconductor application scheme developed by us is simpler in structure and is capable of improving resolution without increasing the size of the sensor or complexity as compared with light-emitting diode (“LED”) infrared light sources used by other 3D camera systems. Our VCSEL IC semiconductor application scheme is also smaller, consumes less power, and is more accurate in distance detection.
- Exclusive technology solution of holographic image algorithm. Multiple holographic LiDAR sensors with different specifications and performances are deployed around the vehicle, and the holographic road conditions around the vehicle can be sensed immediately when the system is started; it can not only avoid the forward collision, but also avoid the lateral and backward movement danger in time by obtaining more comprehensive spatial information.
- Exclusive design of LiDAR holographic point clouds algorithms architecture. Through the holographic technology, the perception algorithm software provides the operable data efficiently, realizes the line-by-line 3D scanning, improves the performance of holographic LiDAR efficiently, and obtains more efficient information feedback.
- Exclusive design of holographic LiDAR sensor chip. While maintaining the sensor advantage through advanced sensor development applications, with the self-developed holographic LiDAR module as the core of the sensing system, we can achieve the balance between high performance, real-time, gauge level stability and low cost, so as to improve the stability and reliability of the equipment.

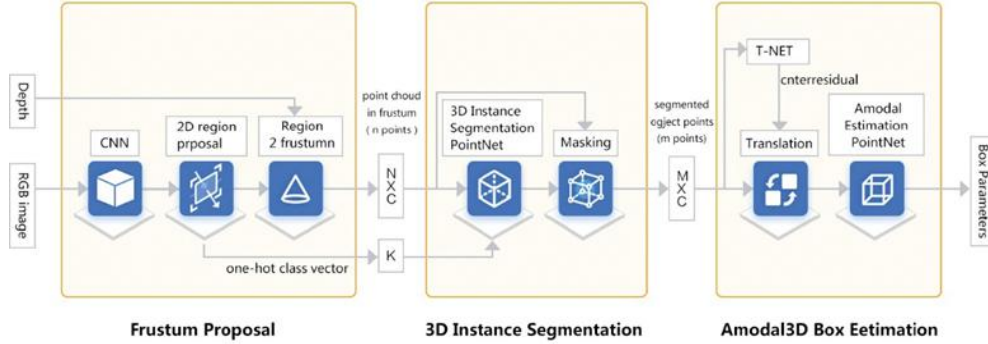


Exclusive Technical Solution of Holographic Image Algorithm

Our holographic LiDAR combines holographic image processing technology, which enables ADAS to provide real-time, all-weather, and holographic perception of the surrounding environment. Holographic LiDAR gives us the following advantages:

- Our holographic LiDAR has more efficient image processing ability and more accurate and rapid recognition ability, detects the surrounding environment with laser pulses, and combines with software to draw holograms, so as to provide enough environmental information for autonomous driving vehicles, and to perform static recognition of intelligent holographic vision and dynamic recognition of objects and signs.
- Our holographic LiDAR has a high azimuth resolution, which means it is capable of distinguishing two or more objects aligned along the direction of measurement and can accurately detect the distance and positions of the surrounding obstacles. In addition to the surrounding vehicles and environment, it can also detect objects with low radio wave reflectivity, such as white lines, signs, and trees.

- Our holographic LiDAR is capable of accurate and rapid recognition, which can improve the accuracy and quality of ADAS for the collection of information regarding the surrounding environment, so that vehicles can clearly process the road condition information, and provide safety warnings and other information, which can further promote the intelligent upgrading of the ADAS in the market.
- Our holographic LiDAR can enhance the redundancy of the sensing system and supplement the missing scenes of millimeter-wave radar and camera. Holographic LiDAR has a long detection range, and its measurement accuracy is ten times higher than that of millimeter-wave radar. It can accurately depict the 3D shape of objects because millimeter-wave radar and ultrasonic radar are limited in accuracy and therefore cannot distinguish slow-moving people from other static objects. High precision and 3D modelling ability are the core advantages of holographic LiDAR over other sensors.



Exclusive Design of LiDAR Holographic Point Clouds Algorithms Architecture

Our holographic LiDAR adopts an exclusive holographic point cloud algorithm architecture, aiming at the efficient implementation of digital signal processing algorithms, enabling our holographic LiDAR to achieve excellent performance on all detectable targets.

Our algorithm design scheme for holographic LiDAR is capable of extensively developing and verifying the results of real-world road data, including road types, geographic and environmental conditions, etc. The proprietary algorithm architecture of our holographic LiDAR has the following advantages:

- Exclusive algorithm architecture can enable the car sensing software to call the holographic LiDAR point cloud data in real-time.
- The custom-developed optimization detection algorithm can enable the holographic LiDAR to achieve long-distance detection.
- The exclusive detection algorithm can realize high-density detection at low speed and accelerate the computational-intensive processing.
- Accurate distance and speed measurements can be made throughout the entire field of view.
- High confidence detection and reliable point cloud data can be achieved to ensure a low false alarm rate.

LiDAR technology can generate millions of to tens of millions of point clouds per second, while unprocessed point clouds are disordered and lack color and texture information, which is impractical for application. Our holographic LiDAR algorithm can denoise, simplify, calculate in key points, align, position, identify, and extract point cloud, and conduct accurate digital holographic three-dimensional reconstruction.

We believe that the digital signal processing algorithm in our holographic LiDAR technology can achieve the goal of high performance and low power consumption. The solution can operate in a variety of environmental conditions and meet the strict requirements of automotive safety and production safety.

Proprietary Holography LiDAR Sensor Chip Design

Our proprietary holographic LiDAR sensor chip design solves key hurdles to the wide adoption of automotive LiDAR based on traditional laser scanning technology.

- Low power consumption: Low power consumption and small size can be applied to all types of vehicles, with the potential to promote mass-market adoption.
- No interference: By carrying a unique feature for each beam, our holographic LiDAR can block any power source without a unique feature, so that it is not interfered with by other LiDAR and sunlight.
- High sensitivity: Holographic LiDAR is high in sensitivity and low in energy consumption.
- High dynamic range: When measuring highly reflective objects such as traffic signs on the road, holographic LiDAR is not easily affected by the noise observed with traditional techniques.
- Higher sensitivity in severe weather: Holographic LiDAR provides better performance during bad weather by using continuous transmission of laser beam instead of short pulse in traditional LiDAR, and adapts to complex environment such as rain, snow, fog, dust, strong light, low illumination, etc.
- Instantaneous measurement of speed: Holographic LiDAR can directly measure the instantaneous velocity of each pixel by measuring the Doppler effect caused by the dynamic motion of the object.
- Laser safety: Because of the low power continuous beam, holographic LiDAR has better laser safety than the traditional LiDAR method which needs high power laser pulse.

In the field of LiDAR, we believe that there is little room for image simulation technology to improve in the future. In contrast, we expect that our holographic LiDAR will grow exponentially in the next few years.

The application prospect of holographic LiDAR is very broad. Currently, it can be applied to autonomous driving and advanced driving assistance, etc. With the development of 5G and AI technology, our technology may gradually popularize robots, UAVs, advanced security systems, smart cities, industrial automation, environment and surveying and mapping and other industries in the future.

Holographic Vehicle Intelligent Vision

In the holographic ADAS, we provide users with better on-board intelligent visual experience. The holographic vehicle intelligent vision system, equipped with advanced sensors, controllers, actuators, communication modules and other equipment, can assist the driver in controlling the vehicle more conveniently through the holographic panoramic real-time navigation system, holographic look around system and holographic monitoring system. Our holographic ADAS can realize the following functions in the vehicle intelligent vision system:

- Holographic panoramic real-time navigation system, which takes advantage of holographic LiDAR to create colorful real-time virtual objects by using the maximum field of vision when collecting the surrounding environment. The system realizes the special functions of holographic stereo and real-time dynamic centimeter-level navigation.
- Holographic look around system, including 3D look around as part of the autonomous visualization system (“AVS”), night vision system (“NVS”), panoramic look around system.

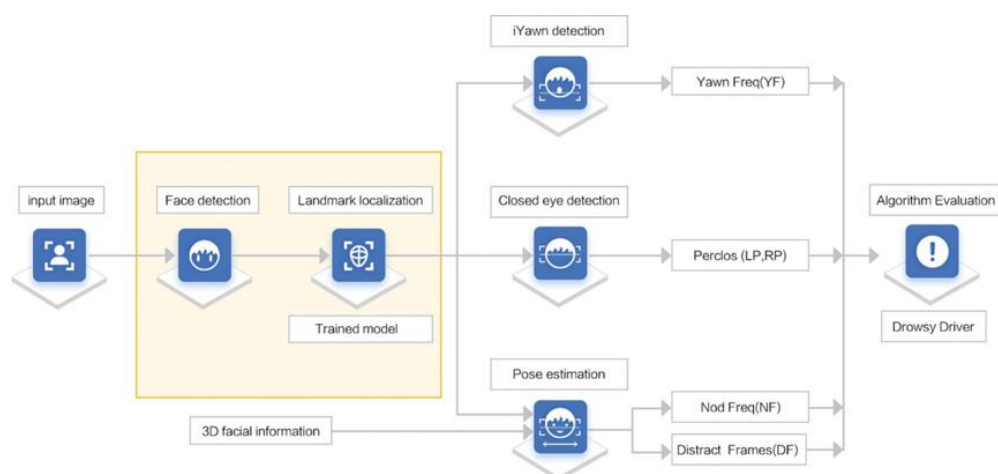
The advantage of holographic look around system is to project the four images collected by holographic LiDAR and other sensors onto a three-dimensional display model and enable the view roaming switch with the help of graphics processing units (“GPUs”) to avoid the virtual edge. The holographic look around system can bring the driver more visual field and more viewing angle. Through the holographic LiDAR technology, we reconstruct the scene around the vehicle in 3D and combine it with the virtual vehicle model in the same 3D coordination system by algorithm so as to construct a holographic vehicle intelligent vision system that is closer to the real world and provide accurate scene presentation for the driver to observe the environment.

The application of holographic vehicle intelligent vision enables the driver to have overall control over the surrounding environment of the car, which can not only effectively prevent the occurrence of reverse rolling accidents, but also avoid the possible events such as scraping bumper and wheel hub. In addition, for the information collected in real-time, the holographic look around system can recognize the object and send out early warning through the deep learning algorithm to assist the driver to drive safely.

- Holographic monitoring system, including driver monitoring system (“DMS”), lane departure warning system (“LDWS”), and front vehicle collision warning system (“FCWS”).

We use the advanced patent technology in face recognition, combined with the holographic image acquisition technology. We have developed the advanced DMS for driver fatigue driving, which collects driver video through image sensor and then uses the algorithm to identify and locate the driver’s face and eyes. Through the analysis of the eye image features, the warning is issued. Our technology overcomes the defects of traditional recognition methods based on machine vision, which are easily interfered by glasses / sunglasses and other objects, improves the accuracy of driver’s eye closure judgment, and further improves the accuracy of fatigue driving judgment with better adaptability. In addition to early warning driving safety, this function can also be used to protect the property safety and payment safety of vehicles. When the system identifies an unregistered suspicious person on board, it can trigger an alarm in the cloud and synchronize the suspicious person’s face information to the cloud.

In addition, our LDWS, by telling the driving direction of the vehicle and the continuation direction of the traffic line, will issue a warning when the vehicle deviates from the lane line and the driving direction crosses the traffic lines on both sides. Our FCWS analyzes the shadow and contour features of vehicles in front of the road in real-time to locate the position of vehicles, and then calculates the estimated collision time according to the speed of the vehicle and the distance from the front vehicle, so as to determine the potential collision risk and issue an early warning.



With the increasing demand for autonomous driving, the demand for the application of holographic LiDAR in ADAS also increases. We understand that the most effective autopilot solution is perceptive and visual, and can provide the end consumers with complete solutions through the original equipment manufacturer (“OEM”). In order to ensure the highest efficiency of products, we cooperate with automotive IC manufacturers, which can not only achieve customized solutions but also provide customers with universal solutions.

We make use of holographic LiDAR in our products in a wide range of driving environments to enhance the perception capability and carry out intelligent holographic image recognition for the surrounding environment such as passing vehicles, pedestrians, lane lines, traffic signs, traffic lights, etc., so as to provide drivers with a series of driving safety assistance, such as front vehicle distance monitoring, collision warning, pedestrian warning, lane departure warning, front vehicle start warning, traffic light reminder, etc. Our product portfolio of holographic ADAS includes sensor hardware and perception and decision-making software to improve existing vehicle capabilities and achieve a higher level of vehicle automation for consumer and commercial applications.

Other Integration Service of Holographic Technology

The integration service of holographic technology is constructed by combining hardware such as holographic dedicated server, holographic workstation and holographic laser projector with holographic projection technology, holographic intelligent visual analysis technology, holographic distributed algorithm and other holographic technologies. The holographic technology and intelligent visual analysis technology are used to identify and measure objects and generate holographic images. Pursuant to customer needs, we provide customized holographic digital twin technology integration services.

Based on holographic technology, combined with the resource library service capabilities of multi-algorithm, multi intelligent scene and data processing, we help customers realize the industrialization application landing from holographic basic hardware service to holographic algorithm optimization, and build a holographic digital cloud resource library technology system centering on holographic view intelligence, holographic 3D intelligence, holographic multi-dimensional intelligence, holographic intelligent control, etc. Holographic digital cloud resource library technology uses distributed cloud computing to achieve the optimal scheduling of software and hardware. Holographic digital technology integration service adopts distributed data storage and algorithm, uses multiple storage servers to share the storage load, and uses location server to locate the storage information, which not only improves the reliability, availability and access efficiency of the system, but also is easy to expand, minimizes the unstable factors introduced by general hardware, and ensures the efficient operation of the customer system.

In addition, our holographic technology integration service not only provides hardware and software services, but also reserves rich holographic digital content to meet the needs of different customers. In the integration service of holographic digital twin technology, we adopt the architecture specially designed for graphic processing to support holographic 3D image processing. we provide customers with efficient holographic information processing function and high-performance graphics, image processing function and networking function. Our holographic digital twin technology integration services can be applied to communication, computer-aided analysis, biomedicine, architectural design, urban planning, computer-aided manufacturing, and holographic engineering design and application, etc.

Holographic digital technology integration service provides users with holographic data acquisition, holographic virtual space construction, holographic digital content editing, holographic digital effect production, holographic virtual digital control and other functions. Through holographic digital processing of information content, holographic digital twin effect is displayed to end-users.

We are also a distributor of holographic hardware and generates revenue through resale. Hardware products include computer chips, network server, and certain parts and accessories of holographic products. We order holographic hardware from vendors and resell to our customers. Although gross profit for hardware products is relatively low, we intend to run the business line through sheer volume. We have strong competitive advantages by having bargaining power against our vendors and pricing power on our customers. Although there is an increase on unit cost of hardware chip products during the global shortage of chip products, with our bargaining power against vendors, we are still able to avoid significant price adjustments.

Holographic Digital Twin Technology Service

Holographic digital twin technology is an effective means to realize the interaction and integration of manufacturing information world and physical world. Holographic technology is used to realize the interaction and cooperation between the virtual world and the real world, that is, the virtual entity in holographic state dynamically maps the state of physical entity in real-time. The control effect is verified by simulation in virtual space, and the insights generated are fed back to physical assets and digital processes, forming the closed loop of holographic digital twin. Holographic digital twin technology puts forward requirements for terminal equipment such as display terminal equipment, all kinds of holographic images and sound acquisition equipment to be more interactive, more immersive, and clearer, which puts forward higher requirements for data transmission capacity and display technology of hardware equipment.

After years of development, we have accumulated a wealth of technologies. Through the application of holographic, augmented reality (“AR”) / virtual reality (“VR”) and other technologies in the digital world, the physical world can be completely reproduced, achieving the integration of virtual and real, and realizing the interaction with physical entities.

Our holographic digital twin technology service is a human-computer interaction technology characterized by immersive experience, combined with the digital twin architecture to provide support for in-depth information interaction and collaboration among virtual entity, physical entity and human.

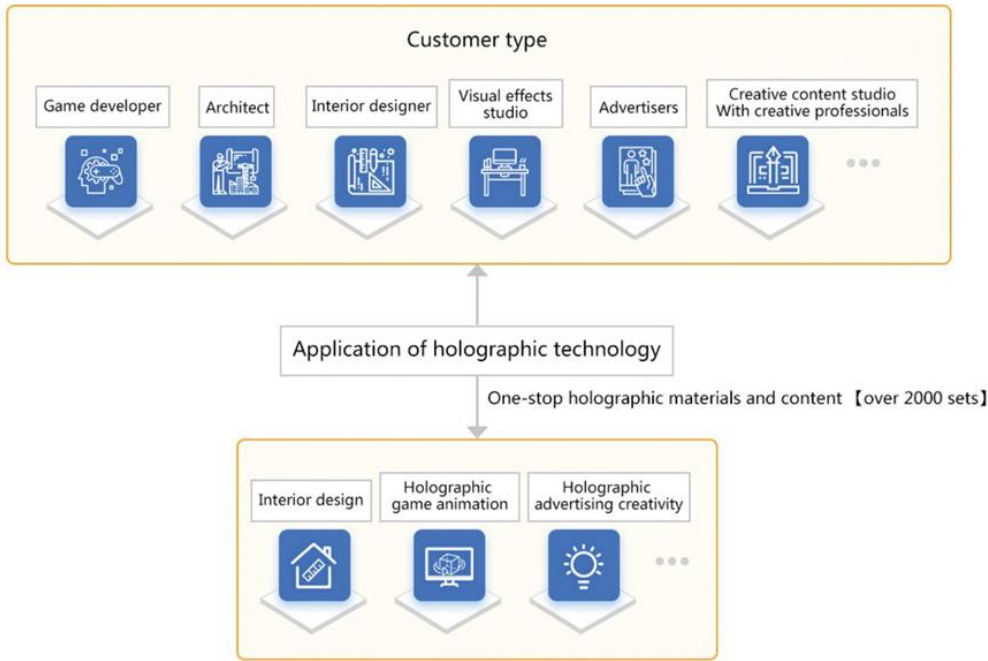
Holographic Digital Twin Technology Resource Library

At present, our holographic digital twin service combines different customer needs to create our holographic digital twin technology resource library, which provides holographic development and design personnel with holographic digital twin resource library services, and also provides customized holographic digital twin technology integration services for enterprise customers with holographic digital twin technology needs. The resource library includes holographic bionics and simulation digital models, as well as various holographic software technologies about holographic spatial positioning, dynamic capture, holographic image synthesis, etc., which are open to developers. In the resource library, we mainly provide holographic simulation and bionic digital model services and holographic software development kit services for developers.

Holographic simulation and bionic digital model service

We have one of the largest professional holographic digital content resource libraries in China. We have thousands of holographic digital models, including natural, scientific, space scene and other types of holographic simulation and bionic digital models, providing holographic digital model services for customers in different industries.

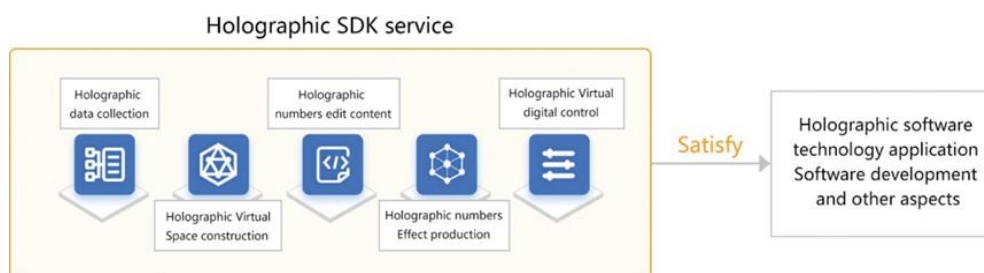
We have a professional technical team to provide these services for users, to realize the unique value of digital models, and to help different developers to solve different core problems through different holographic simulation and bionic digital twin models. The ultra-high-definition holographic digital twin model provided by us can be directly used in holographic scenes, which reduces the development cost for holographic digital twin application developers and makes more sophisticated and creative holographic applications.



Holographic Software Development Kit Service

Our holographic SDK service is a software toolkit specially developed for hologram data processing. Our customers can use the holographic SDK through our open application programming interface (“API”). Without the need to spend a lot of time to develop the holographic data software module, our customers can spend more energy and time on the core and professional part of their service to better serve their customers.

We also upgrade and update our holographic SDK regularly according to the market demand. Holographic SDK provides services such as holographic image processing, holographic data modeling and holographic special effects for developers of holographic digital twin technology, as well as various data services for developers of holographic digital content and software. Our holographic SDK is equipped with efficient holographic image processing technology, which can identify all kinds of holographic images, including real-life holographic 3D objects. Users can select the required holographic SDK function to reproduce the identified object or use the identified object to construct the holographic space.



We provide comprehensive and powerful holographic SDK services for our customers. Our holographic SDK services include 65 software kits and five function modules, including holographic data acquisition, holographic virtual space construction, holographic digital content editing, holographic digital effect production, and holographic virtual digital control. With its rich functions, our holographic digital twin technology resource library can provide the optimal convenience and technical support for holographic digital twin technology developers, such as:

- Holographic display SDK, which provides a simple API for developers. Application developers only need one command to convert images into holograms.
- Holographic projection effect SDK, which can produce many special holographic effects and project virtual screen effects in the air.
- The holographic digital model SDK, which provides developers with models of people, animals, plants and vehicles in 3D scenes, to improve rendering speed.
- Our holographic SDK can simulate tactile feedback information, force feedback information, the movement of the observed object and other aspects of holographic data acquisition.
- The holographic virtual space is constructed through the holographic scene map switching, holographic scene building and holographic 3D geographic information.
- The digital content of hologram is edited by dynamic holographic image processing, image merging and hologram correction.
- Through the control system of animation glare system, dynamic glare effect and dynamic conversion, the holographic digital effect is produced.
- The holographic virtual digital control function is realized by light field dynamic fusion control system and holographic digital display software.

Our holographic SDK can effectively collect and process data, realize the function of customer needs, more accurately analyze and meet user needs, and improve the business efficiency and performance of customer enterprises.

Our Competitive Strengths

We believe that the following competitive strengths contribute to our success and differentiate us from our competitors:

Leading holographic technology service provider with proprietary technology protected by comprehensive intellectual property rights

We are one of the leading holographic digitalization technology service providers in China in terms of total revenue and the number of total intellectual property rights, which allows us to stay in the forefront of customers' demands. Leverage the significant market position, our revenue growth keeps increasing. For the years ended December 31, 2021 and 2022, the revenues of our holographic solutions and technology services were \$56.3 million and \$72.5 million, respectively, representing an annual growth of 28.8%.

Scalability culminating from broad and diverse customer base and alignment with stable strategic relationships with major industry participants

As one of the first companies on the market to enter into the rapidly evolving holographic technology industry, we are capable of taking advantage of our mature holographic technology service scheme to further reduce the overall costs of holographic technology services to our customers and to realize the large-scale application of holographic technology service. We have continuously invested in holographic technology, talented personnel, and marketing, which enables us to build up a solid brand image among our customers and seize a considerable market share. We have also established exceptional marketing channels and rich resources to attract and interact with both upstream and downstream industry participants. Rooted in deep understanding of local market dynamics, our accurate marketing positioning and corresponding marketing capacity have conceived a strong brand and expanded the coverage of our channels, further securing our market position.

Strong R&D capabilities with leading innovations in the holographic technology services industry

We believe that we are well-positioned to capture the growth of China's holographic technology industry. We intend to strengthen and further secure our market leading position by reinforcing R&D development to continuously drive innovation in holographic technology, including innovations in holographic LiDAR technology, intelligent holographic vision, and holographic digital twin technology. As of December 31, 2022, we owned six trademarks, 22 exclusive rights of integrated circuit layout designs, 312 holographic software copyrights, 183 holographic patents, and 1,695 holographic content copyrights in China.

Leading holographic technology professionals led by an experienced and visionary management team

We have a seasoned management team that is well experienced in China's information technology industry. With a focus on research and development, operation and management, and human resources, the team is led by Mr. Guohui Kang, who has been serving as our director and chief executive officer since 2016 and as our director and chief executive officer since September 2022, and supported by an exceptional R&D team staffed by 101 full-time research and development team members. Our core staff generally have many years of working experience in areas such as computer, software, computer graphic processing, data algorithm, and neural networks. Staying at the forefront of technological development and focusing on R&D, we retain a stable team of exceedingly qualified professionals specialized in holographic technology service, holographic LiDAR application, and holographic digital twin technology.

Strong culture and values driving the sustainable and healthy environment

We adhere to our corporate culture and values to nourish a sustainable corporate environment and attract talented team members. Our slogan is "customer oriented — nurture cooperation — win-win achieved." We also believe that customers' demands determine the corporate strategy and development orientation, and innovation drives core competencies. Guided by such values, we have successfully built up strong and long-term relationships with our customers and continuously optimized our talent pool and the comprehensive quality of our team members, all of which have contributed to our sustainable and rapid development.

Our Growth Strategies

We plan to implement the following strategies to achieve our mission and further grow our market position:

We will continue to expend significant resources in the research and development of holographic technology

Research and development of in-demand technology combined with sustained output and continuous innovation sets the foundation of our market competitiveness. We endeavor to strengthen our market-leading position by further increasing investments in research and development, retaining talented individuals in the field of holographic technology, holographic LiDAR systems, and computer image processing for the purpose of expanding the range of proprietary technology and IP rights. More specifically, we are focused on developing our autonomous driving, 5G, AI, and machine learning technologies for the purpose of building a rich product line, and innovative and technologically leading services. To align with the development of the holographic ADAS industry, we aim to provide strong support for businesses in the field of autonomous driving. Our development prospectus in ADAS includes hardware, software, and solutions upgraded by way of continuously developing new iterations of ADAS products and services through stepping up efforts in research and development. To achieve this end, we intend to further expand research and development capabilities and efforts in holographic digital twin services, and further upgrade our existing holographic software development kit (“SDK”), software, and holographic content resource library.

We plan to promote the implementation of holographic technology in broader mass market

While holography continues to proliferate, we believe the holographic SDK and LiDAR market remains underpenetrated both in China and globally. Based on holographic technology services, we will seize the opportunity of the development of the internet information technology industry in the new era and give full play to our leading advantages in talents, technology, and in-depth cooperation with industry partners and customers. Our holographic technology solutions could not only upgrade traditional industries, but also be implemented in newly emerging industries due to our deeply rooted understanding of technological transformation. Specifically, we will promote the wide application and development of holographic technology services in automotive electronics, digital twin and other fields and help the intelligent upgrading of related industries to realize the sustainable, rapid, and healthy development of our business.

We will continue to cooperate closely with the upstream and downstream of the industry chain

Focusing on organic business growth, we will pay close attention to the demand for new technology throughout the industries in which we operate. Through the long-term and close cooperative relationship established with the partners in the industry chain, we seek to develop and deploy new technology ahead of customers’ demands so that we can quickly synergize with both upstream and downstream industry partners to identify and devise solutions to potential opportunities at an early stage, and jointly solve key hurdles along the process so that the new technological solutions can be commercialized in the shortest time possible.

We will continue to develop and cultivate talented individuals

We have always regarded our talented team members as our most valuable resource. As a key driver to enterprise development, we have established an effective personnel training system and will continue to improve and upgrade such system to enhance its effectiveness. We will continue to build and promote core competencies of our employees through internal training, internal competition, external communication, and other effective means. In addition, we will seek to establish and test more effective incentive mechanisms, to actively create a working environment conducive to the development of our personnel, and to improve the cohesion and centripetal force of our employees, corporate culture, and business philosophy, so as to attract and retain more competitive talents.

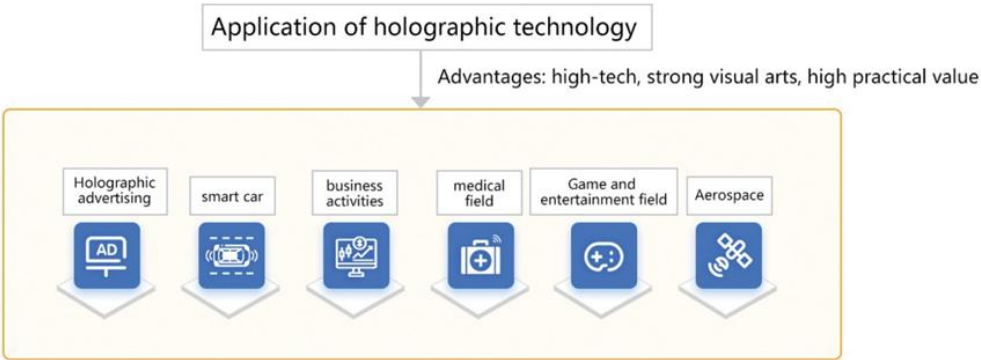
Technology

We have developed powerful, cutting-edge holographic technologies.

Holographic Digital Technology

Holography refers to the expression of all information of things. The advantage of holography lies in the expression of holographic space. It is another carrier of information in society. Holographic display technology is different from other traditional 3D display technologies in that it does not rely on any external devices like 3D glasses and helmets. Comparatively speaking, holographic display technology has the advantages of unlimited viewing angle, omni-directional viewing and no difference from the real object, and it can also interact with holographic imaging in-depth, which is a new breakthrough in touch sensing interaction and meets the goal of natural reality and three-dimensional visual effect.

Holographic digital technology is the combination of computer technology, holographic technology, and electronic imaging technology. It records holograms through electronic components and realizes real-time image processing. At the same time, the digital image can be quantitatively analyzed by computer, the intensity and phase distribution of the image can be obtained by calculation, and the superposition of multiple holograms can be simulated, so that the recording and reproduction of holograms can be truly digitized.



As communication technology enters the 5G era, the rapid development and popularization of cloud computing, big data, AI, and other technologies have promoted the development of holographic digital technology. we believe that holographic digital technology will become the technical foundation of the next generation of the Internet. We believe that the next generation of Internet will be holographic space Internet and hopes that through our continuous attempts and breakthroughs in holographic technology, we can lay a foundation for wide adoption by the mass market.

We believe that the combination of holographic technology and digitization is of great significance in promoting the development of social economy and culture. With the development of technology, the application of holographic digital technology is becoming more market oriented. For example, in the automotive field, the holographic digital technology is applied to the navigation, and the navigation is projected on the front window, so that the driver can clearly know the route without bending his head, which greatly improves the driving safety. The application in the medical field is also of great practical significance. The use of holographic digital technology can record the vibration and deformation of organs in the human body in a three-dimensional way, which can be measured by the interference fringes on the hologram. The second exposure technology of holographic LiDAR can also analyze the changes of human organs, so as to find out the location and size of lesions. For example, the use of holographic digital technology can detect the location of malignant tumors and contribute to the early diagnosis and treatment of cancer. Because of the non-destructive property of digital hologram, it is considered to be the best method to detect human internal organs. Of course, digital hologram technology is also widely used in clinical examination. In addition, in the field of aerospace, holographic digital technology also has broad application prospects, such as the use of holographic digital technology can simulate the real outer space for real perception training, which brings great significance to the training of astronauts.

With the continuous expansion of the application field of holographic digital technology, we believe that in the future, holographic digital technology will become an irreplaceable part of society.

Holographic LiDAR Technology

LiDAR is a combination of laser, global positioning system (“GPS”) and inertial navigation system (“INS”) technology and is used to obtain point cloud data and generate accurate digital three-dimensional model. Laser itself has a very accurate ranging capability and its ranging accuracy can reach several centimeters. In addition to the laser itself, the accuracy of LiDAR system also depends on the synchronization of laser, GPS, and inertial measurement unit (“IMU”). Holographic LiDAR is an active measurement device that detects the precise distance between the object and the sensor by emitting a laser beam, including a transmitting unit, a receiving unit, a scanning unit and a data processing unit. The distance is determined by measuring the time difference and phase difference of the laser signal, and the angle is measured by horizontal scanning. According to these two parameters, a two-dimensional polar coordinate system is established, and then the three-dimensional height information is obtained by different pitch angle signals.

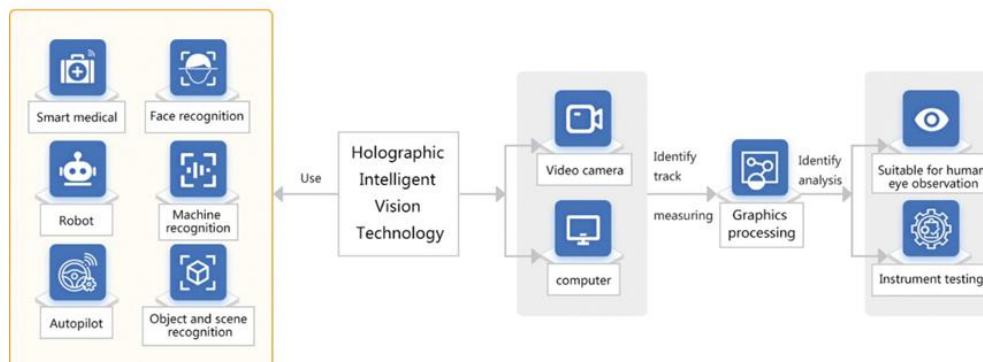
With the development of commercial GPS and IMU, it has been widely used to obtain high-precision data from mobile platforms (such as automobiles) through LiDAR. LiDAR scanning can obtain point cloud data, which can be used to create 3D computer-aided design (“CAD”) models for manufacturing parts, quality inspection, diversified vision, cartoon production, 3D drawing, and mass communication tool applications. In addition, it can be used in the construction of digital 3D City, 3D terrain acquisition, 3D cultural relic reconstruction, cadastral survey, power inventory and other industries that need surveying and mapping modelling.

Holographic Intelligent Vision Technology

Holographic intelligent vision refers to the machine vision that uses camera and computer to simulate human vision to recognize, track and measure the target, and to further process the image through recognition and analysis, so that the computer processing becomes more suitable for human eyes to observe or transmit to the instrument for detection. Holographic intelligent vision plays an important role in the establishment of artificial intelligence system to obtain “information” from images or multidimensional data.

Holographic intelligent vision is the science of using computers to imitate human visual systems, which enables computer with the ability to extract, process, understand and analyze images and image sequences similar to human beings, and realize the perception and recognition of the three-dimensional scene of the objective world.

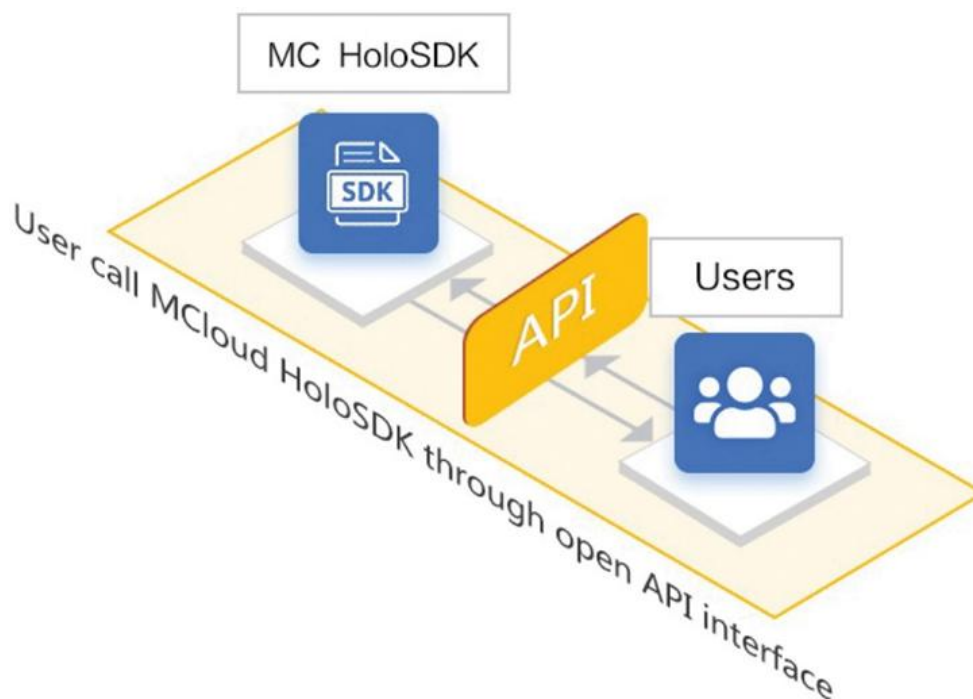
In the fields of autopilot, robot, intelligent medical and so on, it is necessary to extract information from the visual signal by holographic intelligent vision technology and carry out high-precision processing. Holographic intelligent vision technology used in holographic technology service includes holographic face recognition, holographic object, and scene recognition.



Holographic SDK Technology

Holographic SDK technology can collect holographic data through tactile feedback information, force feedback information and the movement of the observed object. The holographic virtual space is constructed by scene map switching, scene building and 3D geographic information; Holographic digital content editing is carried out by means of dynamic image processing, graphic display, and rectification. Through the control system of animation glare system, dynamic glare effect and dynamic conversion, the holographic digital effect is produced, and the holographic virtual digital control function is realized by light field dynamic fusion control system and holographic digital display software.

Our holographic SDK services include holographic data acquisition, holographic virtual space construction, holographic digital content editing, holographic digital effect production and holographic virtual digital control module, and 65 software kits, which can meet the current market demand for holographic software technology application, software development and other aspects. We will also continue to develop new functions according to the needs of customers to enrich the holographic SDK library. Through years of technology accumulation and long-term good relationship with customers in the industry, we believe that our holographic SDK technology will continue to maintain a leading edge.



Research and Development

As of December 31, 2022, our research and development team consisted of 68 full-time employees responsible for the design and development of high-quality holographic products and services. They are experienced in holographic basic technology and hardware development. The professional background of the research and development team covers a wide range of aspects, including computer, software, computer graphic processing, data algorithm, and neural networks. Such extensive and in-depth working experience empowers the team's services such as digital graphic lightweight, algorithm, data intelligence and image synthesis. We have focused on and will continue to focus on investment in our technology system. Our research and development expenses were approximately \$49.2 million and \$22.8 million for the years ended December 31, 2022 and 2021, respectively.

We are committed to continuously strengthening and updating our information technology infrastructure and compatible hardware according to our annual development plan and based upon our assessment of market demand. The process of our self-development research and development is as follows: (1) research and development personnel raise new ideas for research and development based on the market situation and customers' needs to complete the investigation report and decision analysis; (2) project approval and formulate product research and development plan; (3) development of product technology; (4) product testing and review; (5) launching of new product; and (6) promotion and application of the new product.

Intellectual Property

Intellectual property rights are critical to our success and competitiveness. We rely on a combination of patent, copyright, trademark, and trade secret laws and restrictions on disclosure to protect our intellectual property rights. As of December 31, 2022, we owned:

- Trademarks: six registered trademarks in the PRC;
- Patents: 183 patents in the PRC, mainly involving virtual vision imaging, motion capture, image acquisition and other related technologies;
- Layout design of integrated circuit: 22 items in the PRC;
- Software copyrights related to holography: 312 works of software copyrights related to holography in the PRC, including 65 core holographic functions SDK, which mainly involve holographic digital light field, panoramic display, virtual reality social simulation model application system, virtual reality human body model dynamic demonstration system, naked-eye 3D dynamic imaging control system, virtual reality standardization system, etc.;
- Software copyrights related to virtual digital products: 1,695 items of virtual digital products and thousands of ultra-high-definition holographic models that have been established and are still increasing; and
- Under application: 183 model patents and 22 integrated circuit layout designs.

In addition to the foregoing protections, we generally control access to and use of our proprietary and other confidential information through the use of internal and external controls. For example, we adopt and maintain relevant policies safeguarding our intellectual property rights through establishing an intellectual property management organization and specifying personnel for intellectual property protection, strengthening special training on intellectual property rights for employees, and establishing an intellectual property management system.

Competition

There are many other companies addressing various aspects/verticals of the holographic basic technology service market in China. Our competitors are mainly holographic software providers, holographic content service providers, and participants in the holographic intelligent electronics field and the holographic intelligent vision field.

We compete in an emerging and competitive industry for the following factors:

- quality of the basic holographic technology;
- richness and compatibility of high-quality holographic content;
- strength and reputation of brand;
- ability to enhance existing services to meet user preferences and needs;
- capability to continuously expand customer base; and
- ability to compete effectively with competitors.

We believe we offer a higher performance product, and we are capable to compete favorably and increase our market share. Our ability to remain competitive bases upon the quality of our holographic content, the ability to innovate and rapidly respond to customer needs, as well as the capability of acquiring complementary technologies, products and businesses to enhance the features and functionality of our applications.

Seasonality

We do not experience substantial seasonal fluctuations in our revenues and results of operations.

Sales and Marketing

We have formed a business model of “excellent technology research and development team + well experienced sales team.” A professional sales team, paired with advanced technology, enables us to maintain an advantageous position in the competition. We are dedicated to deepening our relationship with existing customers, develop relationships with new and potential customers, and on exploring untapped business opportunities. At the same time, we also emphasize on brand building and will establish a strong reputation and brand image by continuously producing high-quality technology services and contents.

Customers

We have provided holographic technology services for thousands of customers and has accumulated rich customer resources and diverse customer base in the industry. We work closely with government agencies, automotive electronics manufacturers, and software/content developers, etc. At present, we have a relatively well-established and comprehensive holographic technology service chain.

We have provided holographic technology services for numerous well-known and prestigious enterprises in the real estate, automobile, life insurance industries and so on. Customers usually enter into framework service agreements with us, based upon which we will provide holographic technology services and receive corresponding product and service fees in return from the customers. Our customer base grows fast. The total number of customers grows with a growth rate of 11.8% from 2021 to 2022. We maintain a diverse customer base and have one customer from whom revenues individually represents greater than 10% of the total operating revenues for the year ended December 31, 2022. Our top ten direct customers make up 59.3% of total revenue for the year ended December 31, 2022.

We believe that our continuous attraction to and ability to retain large and medium-sized enterprise customers depend on our ability to meet their disparate needs as well as complex in-house deployment and integration needs. We also leverage our comprehensive business portfolio to serve small and medium enterprises, aiming to improve customer satisfaction and expand cross selling and up selling opportunities.

Suppliers

We have a diverse base of suppliers who view us as integral partners in the supply chain. We have strong relationships with our suppliers due to our market position, substantial purchasing scale, national footprint and rich customer resources. We believe we are one of the largest volume customers for many of our suppliers, leading to favorable purchasing arrangements regarding product availability, payment terms and pricing. Our size and scale, supplier relationships, and technical knowledge of products and services enable us to receive favorable treatment. Our largest single supplier represented 13.8% of expenditures in fiscal 2022, and our top ten suppliers represented 71.4% of total product expenditures during the same period. We strategically conduct business with our top suppliers in order to optimize our scale advantages, but we also have the flexibility to source the majority of our purchase from a number of alternate suppliers when necessary.

Employees

As of December 31, 2022, we had 101 full-time employees and we did not have part-time employees. All our employees are based in China.

The following table sets forth the number of our employees as of December 31, 2022:

Function	full-time employees
Research and Development	68
Business and Marketing	22
Administrative, Human Resources and Finance	11
Total	101

Under the PRC law, we participate in various employee social security plans organized by municipal and provincial government for our PRC-based full-time employees, including pension unemployment insurance, childbirth insurance, work-related injury insurance, medical insurance, and housing fund. We are required under PRC law to pay specified percentages of the salaries, bonuses, and certain allowances to the employee benefit plans for our PRC-based full-time employees on a monthly basis, with the maximum amount determined by the local governments in China.

We sign labor contracts and standard confidentiality and non-compete agreements with our key employees. We believe that we maintain a good working relationship with our employees with no labor disputes. None of our employees are represented by labor unions.

Applicable Government Regulations

Laws and Regulations Relating to Foreign Investment

According to the Provisions on Guiding the Direction of Foreign Investment, which took effect on April 1, 2002, industries in the PRC are classified into four categories: “permitted foreign investment industries”, “encouraged foreign investment industries”, “restricted foreign investment industries” and “prohibited foreign investment industries”. “Encouraged foreign investment industries”, “restricted foreign investment industries” and “prohibited foreign investment industries” are stipulated in the Catalog. Industries which do not fall in any of these three categories are regarded as “permitted foreign investment industries”. The Catalog is promulgated and is amended by the NDRC and the MOFCOM. The Negative List, which was last amended on June 23, 2020 and subsequently enforced on July 23, 2020 by the NDRC and the MOFCOM and replace the Catalog, sets forth management measures for the market entry of foreign investors, such as equity requirements and senior manager requirements. According to the Negative List, any internet cultural activities (except for the provision of music) is a foreign investment prohibited industry, and foreign-invested shares of value-added telecommunications services must not exceed 50% (excluding e-commerce, domestic multi-party communications services, store and forward services and call center services) of the business.

An enterprise which establishes, operates and manages within the Chinese territory is subject to the PRC Company Law last amended on October 26, 2018. The PRC Company Law is also applicable to a foreign investment company. Nevertheless, where there are other special laws relating to foreign investment, such laws shall prevail.

The procedures for the establishment of a wholly foreign-owned enterprise, the verification, registration and approval procedures, registered capital requirements, foreign exchange restrictions, accounting practices, taxation and labor matters are subject to the Law on Wholly Foreign-invested Enterprises of the PRC, which was last amended on September 3, 2016 and subsequently enforced on October 1, 2016 and the Implementation Regulations for Law on Wholly Foreign-invested Enterprises of the PRC, which was last amended on February 19, 2014 and subsequently enforced on March 1, 2014 and Provisional Administration Measures for the Registration of the Formation and Changes of Foreign Invested Enterprises (the “Measures”) which was last amended on June 29, 2018 and subsequently enforced on June 30, 2018.

According to the Measures, where the incorporation of foreign-invested enterprises does not fall within the scope of the Negative List, such enterprises shall file and submit the record-filing information on the incorporation of foreign-invested enterprises simultaneously when they go through the registration procedures for incorporation. Within the record-filing scope of the Measures, in the case of a change of basic information of the foreign-invested enterprises or their investors, a change of equity (shares) or cooperation interest of the foreign-invested enterprises, merger, division or dissolution, mortgage or transfer of foreign invested enterprise’s property or rights and interests to others and other matters, the foreign-invested enterprise shall file the relevant documents online within 30 days upon occurrence of such changes via the comprehensive administrative system.

On December 30, 2019, the MOC and the State Administration of Market Regulation issued the Measures for the Reporting of Foreign Investment Information, which came into effect on January 1, 2020 and replaced the Measures. Since January 1, 2020, for foreign investors carrying out investment activities directly or indirectly in China, the foreign investors or foreign-invested enterprises shall submit investment information to the commerce authorities pursuant to these measures.

On March 15, 2019, the NPC approved the Foreign Investment Law, which became effective on January 1, 2020, and replaced the Sino-foreign Equity Joint Venture Enterprise Law, the Sino-foreign Cooperative Joint Venture Enterprise Law and the Wholly Foreign-invested Enterprises Law. On December 26, 2019, the State Council issued the Regulations on Implementing the Foreign Investment Law of the PRC, which came into effect on January 1, 2020, and replaced the Regulations on Implementing the Sino-Foreign Equity Joint Venture Enterprise Law, Provisional Regulations on the Duration of Sino-Foreign Equity Joint Venture Enterprise Law, the Regulations on Implementing the Wholly Foreign-Invested Enterprise Law, and the Regulations on Implementing the Sino-foreign Cooperative Joint Venture Enterprise Law.

Under the Foreign Investment Law, the State shall implement the management systems of pre-establishment national treatment and negative list for foreign investment, according to which the treatment given to foreign investors and their investments during the investment access stage shall be not lower than that given to their domestic counterparts, and the State shall give national treatment to foreign investment beyond the negative list where special administrative measures for the access of foreign investment in specific fields is specified. Besides, the State shall protect foreign investors' investment, earnings and other legitimate rights and interests within the territory of China in accordance with the law. The state will take measures to prompt foreign investment such as ensuring fair competition for foreign-invested enterprises to participate in government procurement activities, and protection of intellectual property rights of foreign investors and foreign-invested enterprises.

Industry Catalog Relating to Foreign Investment

Industries listed in the Catalog are divided into three categories: encouraged, restricted and prohibited. Industries not listed in the Catalog are generally deemed as constituting a fourth "permitted" category. Establishment of wholly foreign-owned enterprises is generally allowed in encouraged and permitted industries. Some restricted industries are limited to equity or contractual joint ventures, while in some cases Chinese partners are required to hold the majority interests in such joint ventures. In addition, restricted category projects are subject to higher-level government approvals. Foreign investors are not allowed to invest in industries in the prohibited category. Industries not listed in the Catalog are generally open to foreign investment unless specifically restricted by other PRC regulations.

On March 15, 2019, the National People's Congress adopted the Foreign Investment Law of the PRC, which became effective on January 1, 2020 and replaced three existing laws regulating foreign investment in China, namely, the Wholly Foreign-Invested Enterprise Law of the PRC, the Sino-Foreign Cooperative Joint Venture Enterprise Law of the PRC and the Sino-Foreign Equity Joint Venture Enterprise Law of the PRC, together with their implementation rules and ancillary regulations. On December 26, 2019, the State Council issued the Regulations on Implementing the Foreign Investment Law of the PRC, which came into effect on January 1, 2020, and replaced the Regulations on Implementing the Sino-Foreign Equity Joint Venture Enterprise Law of the PRC, Provisional Regulations on the Duration of Sino-Foreign Equity Joint Venture Enterprise Law, the Regulations on Implementing the Wholly Foreign-Invested Enterprise Law of the PRC, and the Regulations on Implementing the Sino-Foreign Cooperative Joint Venture Enterprise Law of the PRC. The Foreign Investment Law of the PRC embodies an expected PRC regulatory trend to rationalize its foreign investment regulatory regime in line with prevailing international practice and the legislative efforts to unify the corporate legal requirements for both foreign and domestic investments. However, since it is relatively new, uncertainties still exist in relation to its interpretation and implementation. For example, the Foreign Investment Law of the PRC adds a catch-all clause to the definition of "foreign investment" so that foreign investment, by its definition, includes "investments made by foreign investors in China through other means defined by other laws or administrative regulations or provisions promulgated by the State Council" without further elaboration on the meaning of "other means."

On June 30, 2019, the MOFCOM and the NDRC promulgated the Special Management Measures (Negative List) for the Access of Foreign Investment, or the Negative List, which took effective from July 30, 2019. The Negative List expands the scope of industries in which foreign investment is permitted by reducing the number of industries that fall within the Negative List. Foreign investment in value-added telecommunications services (other than e-commerce, domestic multi-party communications, store-and-forward and call center), including internet data center services, still falls within the Negative List.

On August 8, 2006, six PRC regulatory agencies, including the MOFCOM, the State-Owned Assets Supervision and Administration Commission, or the SASAC, the State Administration of Taxation, or the SAT, the SAIC, the CSRC, and the State Administration of Foreign Exchange, or the SAFE jointly adopted the Regulations on Mergers and Acquisitions of Domestic Enterprises by Foreign Investors, or the M&A Rules, which came into effect on September 8, 2006 and were amended on June 22, 2009. The M&A Rules include, among other things, provisions that purport to require that an offshore special purpose vehicle formed for the purpose of an overseas listing of securities in a PRC company obtain the approval of the CSRC prior to the listing and trading of such special purpose vehicle's securities on an overseas stock exchange. On September 21, 2006, the CSRC published on its official website procedures regarding its approval of overseas listings by special purpose vehicles. However, substantial uncertainty remains regarding the scope and applicability of the M&A Rules to offshore special purpose vehicles.

Our PRC subsidiaries are mainly engaged in providing technical services, which fall into the “encouraged” or “permitted” category under the Catalog. Our PRC subsidiaries have obtained all material approvals required for our business operations. Specifically, Our PRC subsidiaries engaged in holographic advertising business mainly provide holographic technical services to customers in the advertising industry. According to the Regulations of the People's Republic of China on Telecommunications promulgated by the State Council of the People's Republic of China on February 6, 2016 (the “Regulations”), “value-added telecommunications services” refers to the provision of additional telecommunications and information services by using public network infrastructure. In addition, the Classification Catalogue of Telecommunications Services (the “Classification”) annexed to the Regulations provides a list of telecommunications services that fall within the definition of “value-added telecommunications services.” Our holographic advertising service does not use public network infrastructure to provide additional services and is not within the list provided by the Classification, and accordingly does not fall into the category of “value-added telecommunications services” as governed by the Regulations.

Anti-money Laundering Regulations

The PRC Anti-money Laundering Law, which was promulgated by the Standing Committee of the National People's Congress in October 2006 and became effective in January 2007, sets forth the principal anti-money laundering requirements applicable to financial institutions as well as non-financial institutions with anti-money laundering obligations, including the adoption of precautionary and supervisory measures, establishment of various systems for client identification, retention of clients' identification information and transactions records, and reports on large transactions and suspicious transactions. According to the PRC Anti-money Laundering Law, conducts of money-laundering includes dissimulating, concealing through various means the source and nature of gains and profits from drug offences, organized gangsterdom crime, terrorist activities, smuggling, corruption and bribery, disruption of financial order, and financial fraud. Financial institutions subject to the PRC Anti-money Laundering Law include duly established policy banks, commercial banks, credit unions, postal saving organizations, trust investment companies, securities companies, futures brokerage companies, insurance companies and other institutions engaging in financial business as determined and published by the competent anti-money laundering administrative authorities of the State Council, while the list of the non-financial institutions with anti-money laundering obligations will be published by the State Council. The PBOC and other governmental authorities issued a series of administrative rules and regulations to specify the anti-money laundering obligations of financial institutions and certain non-financial institutions, such as payment institutions.

The Guidelines jointly released by ten PRC regulatory agencies in July 2015, purport, among other things, to require internet financial service providers, including online lending information intermediaries, to comply with certain anti-money laundering requirements, including the establishment of a customer identification program, the monitoring and reporting of suspicious transactions, the preservation of customer information and transaction records, and the provision of assistance to the public security department and judicial authority in investigations and proceedings in relation to anti-money laundering matters. The Interim Measures jointly issued by four PRC regulatory agencies in August 2016 require the online lending information intermediaries, among other things, to comply with certain anti-money laundering obligations, including verifying customer identification, reporting suspicious transactions and preserving customer information and transaction records. The Custodian Guidelines issued by PBOC in February 2017 require the online lending platforms to set up custody accounts with commercial banks and comply with the anti-money laundry requirements of the relevant commercial banks.

In cooperation with our partnering custody banks and payment companies, we have adopted various policies and procedures for anti-money laundering purposes.

Regulations Relating to Overseas Listings

In August 2006, six PRC regulatory authorities, including the China Securities Regulatory Commission, or the CSRC, jointly adopted the Regulations on Mergers and Acquisitions of Domestic Enterprises by Foreign Investors, or the M&A Rules, amended in June 2009. The M&A Rules, among other things, require that if an overseas company established or controlled by PRC companies or individuals, or PRC Citizens, intends to acquire equity interests or assets of any other PRC domestic company affiliated with the PRC Citizens, such acquisition must be submitted to the MOFCOM for approval. The M&A Rules also require that an Overseas SPV formed for overseas listing purposes and controlled directly or indirectly by the PRC Citizens shall obtain the approval of the CSRC prior to overseas listing and trading of such Overseas SPV's securities on an overseas stock exchange.

On February 17, 2023, the CSRC issued the Trial Administrative Measures of Overseas Securities Offering and Listing by Domestic Companies, or the Trial Measures, which will become effective on March 31, 2023. On the same date of the issuance of the Trial Measures, the CSRC circulated No.1 to No.5 Supporting Guidance Rules, the Notes on the Trial Measures, the Notice on Administration Arrangements for the Filing of Overseas Listings by Domestic Enterprises and the relevant CSRC Answers to Reporter Questions on the official website of the CSRC, or collectively, the Guidance Rules and Notice. The Trial Measures, together with the Guidance Rules and Notice, reiterate the basic supervision principles as reflected in the Draft Overseas Listing Regulations by providing substantially the same requirements for filings of overseas offerings and listings by domestic companies, yet made the following updates compared to the Draft Overseas Listing Regulations: (a) further clarification of the circumstances prohibiting overseas issuances and listings; (b) further clarification of the standard of indirect overseas listings under the principle of substance over form, and (c) adding more details of filing procedures and requirements by setting different filing requirements for different types of overseas offerings and listings. Under the Trial Measures and the Guidance Rules and Notice, domestic companies conducting overseas securities offering and listing activities, either in direct or indirect form, shall complete filing procedures with the CSRC pursuant to the requirements of the Trial Measures within three working days following the submission of initial public offering or listing applications.

Based on our understanding of the current PRC laws and regulations, we reasonably believe that we currently are not be required to submit an application to the CSRC for the approval of our listing and trading on the Nasdaq. However, there are substantial uncertainties as to how the M&A Rules will be interpreted or implemented in the context of an overseas offering, and its opinions summarized above are subject to any new laws, rules and regulations or detailed implementations and interpretations in any form relating to the M&A Rules.

Laws and Regulations Relating to Marketing Business

The Advertising Law of the PRC (the "Advertising Law"), which took effect on February 1, 1995 and was last amended on October 26, 2018, regulates contents of advertisements, codes of conduct for advertisers, and the supervision and administration of the advertising industry. It also stipulates that advertisers, 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 (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, 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 others forms shall be clearly marked with a "close" sign to ensure a "Click to close". 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 advertisers; 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 prohibits 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 are insufficient.

Laws and Regulations Relating to Information Security and Privacy Protection

Internet content in the PRC is regulated and restricted from a state security standpoint. The Standing Committee of the National People's Congress (the "SCNPC") enacted the Decisions on the Maintenance of Internet Security, which took effect on December 28, 2000 and was last amended on August 27, 2009, to subject persons to criminal liabilities in the PRC for any attempt to (i) gain improper entry to a computer or system of strategic importance; (ii) disseminate politically disruptive information; (iii) leak state secrets; (iv) spread false commercial information; or (v) infringe intellectual property rights. The Administration Measures on the Security Protection of Computer Information Network with International Connections, which took effect on December 30, 1997 and was last amended on January 8, 2011, prohibit using the internet in ways which, among others, result in a leakage of state secrets or a spread of socially destabilizing content. The Provisions on the Technical Measures for the Protection of the Security of the Internet, which was promulgated by the MPS and took effect on March 1, 2006, require internet service providers to take proper measures including anti-virus, data back-up and other related measures, to keep records of certain information about its users (including users registration information, log-in and log-out time, IP address, content and time of posts by users) for at least 60 days, and to detect illegal information, stop transmission of such information, and keep relevant records. If an internet information service provider violates these measures, the MPS and the local security bureaus may revoke its operating license and shut down its website. In accordance with the Circular of the Ministry of Public Security, the State Secrecy Bureau, the State Cipher Code Administration and The Information Office of the State Council on Printing and Distributing the Administrative Measures for the Graded Protection of Information Security which took effect on June 22, 2007, the security protection grade of an information system may be classified into the five grades. To newly build an information system of Grade II or above, its operator or user shall, within 30 days after it is put into operation, handle the record-filing procedures at the local public security organ at the level of municipality divided into districts or above of its locality.

On December 28, 2012, the SCNPC promulgated the Decision on Strengthening Network Information Protection to enhance the legal protection of information security and privacy on the internet. On July 16, 2013, the MIIT promulgated the Provisions on Protection of Personal Information of Telecommunication and Internet Users, which took effect on September 1, 2013, to regulate the collection and use of users' personal information in the provision of telecommunication services and internet information services in PRC and the personal information includes a user's name, birth date, identification card number, address, phone number, account number, password and other information that can be used for identifying a user and time and place the user uses the aforementioned service. Telecommunication business operators and internet service providers are required to establish its own rules for collecting and use of user's information and cannot collect or use users' information without users' consent. Telecommunication business operators and internet service providers are prohibited from disclosing, tampering with, damaging, selling or illegally providing others with, collected personal information. Several Provisions on Regulation of the Market Order of Internet Information Service, which took effect on March 15, 2012, stipulate that without the consent of users, internet information service providers shall not collect information relevant to the users that can lead to the recognition of the identity of the users independently or in combination with other information, nor shall they provide personal information of users to others, unless otherwise provided by laws and administrative regulations.

In accordance with the Cyber Security Law of the PRC, which took effect on June 1, 2017, network operators shall comply with relevant laws and regulations and fulfill their obligations to safeguard security of the network when conducting business and providing services. Those who provide services through networks shall take technical measures and other necessary measures pursuant to laws, regulations and compulsory national requirements to safeguard the safe and stable operation of the networks, respond to network security incidents effectively, prevent illegal and criminal activities, and maintain the integrity, confidentiality and usability of network data, and the network operator shall not collect the personal information irrelevant to the services it provides or collect or use the personal information in violation of the provisions of laws or agreements between both parties, and network operators of key information infrastructure shall store within the territory of the PRC all the personal information and important data collected and produced within the territory of the PRC. The purchase of network products and services that may affect national security shall be subject to national cyber security review. The Measures for Cyber security Review, which took effect on June 1, 2020, provide for more detailed rules regarding cyber security review requirements. Pursuant to the Cybersecurity Review Measures, operators of critical information infrastructure must pass a cybersecurity review when purchasing network products and services which do or may affect national security. On July 10, 2021, the Cyberspace Administration of China issued a revised draft of the Measures for Cybersecurity Review for public comments ("Draft Measures"), which required that, in addition to "operator of critical information infrastructure," any "data processor" carrying out data processing activities that affect or may affect national security should also be subject to cybersecurity review, and further elaborated the factors to be considered when assessing the national security risks of the relevant activities, including, among others, (i) the risk of core data, important data or a large amount of personal information being stolen, leaked, destroyed, and illegally used or exited the country; and (ii) the risk of critical information infrastructure, core data, important data or a large amount of personal information being affected, controlled, or maliciously used by foreign governments after listing abroad. The Cyberspace Administration of China has said that under the proposed rules companies holding data on more than 1,000,000 users must now apply for cybersecurity approval when seeking listings in other nations because of the risk that such data and personal information could be "affected, controlled, and maliciously exploited by foreign governments." The cybersecurity review will also investigate the potential national security risks from overseas IPOs.

On May 8, 2017, the Supreme People's Court and the Supreme People's Procuratorate released the Interpretations of the Supreme People's Court and the Supreme People's Procuratorate on Several Issues Concerning the Application of Law in the Handling of Criminal Cases Involving Infringement of Citizens' Personal Information (the "Interpretations"), which took effect on June 1, 2017. The Interpretations clarify several concepts regarding the crime of "infringement of citizens' personal information" stipulated by Article 253A of the Criminal Law of the People's Republic of China, including "citizen's personal information", "provision", and "unlawful acquisition". Also, the Interpretations specify the standards for determining "serious circumstances" and "particularly serious circumstances" of this crime.

On June 10, 2021, the Standing Committee of the NPC promulgated the PRC Data Security Law, which will take effect on September 1, 2021. The Data Security Law also sets forth the data security protection obligations for entities and individuals handling personal data, including that no entity or individual may acquire such data by stealing or other illegal means, and the collection and use of such data should not exceed the necessary limits.

On August 20, 2021, the Standing Committee of the NPC approved the Personal Information Protection Law ("PIPL"), which will become effective on November 1, 2021. The PIPL curbs collection of personal identifiable information and seeks to address the issue of algorithmic discrimination. Violations of the PIPL may result in warnings and forced corrections, confiscation of corresponding income, suspension of related services, and fines.

Laws and Regulations Relating to Intellectual Property Right

Trademarks

Pursuant to the Trademark Law of the PRC which was last amended on April 23, 2019 and subsequently enforced on November 1, 2019, and the Implementation Rules of the PRC Trademark Law which was last amended on April 29, 2014 and subsequently enforced on May 1, 2014, a registered trademark means a trademark that has been approved by and registered with the trademark office, including goods trademarks, service trademarks, collective trademarks and certification trademarks. Twelve months prior to the expiration of the 10-year term, an applicant can renew its trademarks and reapply for trademark protection. A registered trademark is valid for 10 years commencing on the date of registration approval and renewal shall be made within 12 months before the expiration. If such an application cannot be filed within that period, an extension period of six months may be granted. To license a registered trademark, the licensor should file the licensing documents of the licensed trademark with the trademark bureau, and the trademark bureau shall gazette the licensing. Non-filing of the licensing of a trademark shall not be contested against a good faith third party. The following acts shall constitute infringement of the exclusive right to use a registered trademark: (1) using a trademark that is identical or similar to a registered trademark of the same type of commodities or similar commodities without a license from the registrant of that trademark; (2) selling commodities that infringe upon the exclusive right to use a registered trademark; (3) forging or manufacturing without authorization the marks of a registered trademark, or selling marks of a registered trademark that are forged or manufactured without authorization; (4) changing another party's registered trademark and putting the commodities with the changed trademark into the market without the consent of the holder of that trademark; or (5) other conduct that would hinder another party's exclusive right to use its registered trademark.

Patents

In accordance with the Patent Law of the PRC, which was last amended December 27, 2008 and subsequently enforced on October 1, 2009 and the Implementation Rules for the Implementation of the Patent Law of the PRC, which was last amended on January 9, 2010 and subsequently enforced on February 1, 2010, patent is divided in to 3 categories, i.e., invention patent, design patent and utility model patent. The duration of the invention patent right is 20 years, and the duration of the design patent right and utility model patent right is 10 years, which shall begin from the date of filing. An individual or entity who uses patent without the license of the patent holder, counterfeits patent products or engages in patent infringement activities shall be held liable for compensation to the patent holder and may be imposed a fine, or even subject to criminal liabilities.

Copyright

According to the Copyright Law of the PRC, which took effect on June 1, 1991, and was last amended November 11, 2020 and subsequently enforced on June 1, 2021, copyright includes computer software, and the Copyright Protection Centre of China provide a voluntary register system for copyright.

According to the Regulation on Computer Software Protection, which took effect on October 1, 1991 and was last amended on January 30, 2013 and subsequently enforced 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 issued the Measures on Computer Software Copyright Registration, 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 is mandated as the software registration agency under the regulations.

Domain Names

In accordance with the Measures for the Administration of Internet Domain Names, which took effect on November 1, 2017 and the Implementation Rules on Registration of National Domain Names, the Measures on Dispute Resolution of National Domain Names, the Proceeding Rules on Dispute Resolution of National Domain Names, which took effect on June 18, 2019, domain name registrations are handled through domain name service agencies established under the relevant regulations, and the applicants become domain name holders upon successful registration.

Laws and Regulations Relating to Labor Protection

In accordance with the Labor Law of the PRC, which was last amended on December 29, 2018, and the Labor Contract Law of the PRC, which took effect on January 1, 2008 and was last amended on December 28, 2012 and subsequently enforced on July 1, 2013, and the Implementation Regulation of the Labor Contract Law of the PRC which took effect on September 18, 2008, labor contracts in written form shall be executed to establish labor relationships between employers and employees.

Employers shall establish and develop labor rules, regulations and systems according to the PRC laws to protect the rights and ensure the performance of duties of employees, and career development and training systems shall be established. Employers shall also set up and develop the labor safety and health system in strict compliance with the rules and standards of labor safety and sanitation of the PRC and provide education on labor safety and sanitation for the employees to prevent work-related accidents and occupational harm.

Laws and Regulations Relating to Social Insurance and Housing Provident Fund

In accordance with the Law of Social Insurance of the PRC which took effect on July 1, 2011 and was last amended on December 29, 2018, the Provisional Regulation on the Collection and Payment of Social Insurance Premiums which took effect on January 22, 1999 and was last amended on March 24, 2019, the Decision of the State Council on the Establishment of Basic Medical Insurance System for Urban Workers which took effect on December 14, 1998, the Decisions of the State Council on the Establishment of Unified System of Basic Retirement Insurance Fund for the Employees of Enterprises which took effect on July 16, 1997, the Regulations of Insurance for Work-Related Injury which was amended on December 20, 2010 and subsequently enforced on January 1, 2011, the Regulations of Insurance for Unemployment which took effect on January 22, 1999, the Provisional Insurance Measures for Maternity of Employees which took effect on January 1, 1995 and the Regulations on Management of Housing Provident Fund which took effect on April 3, 1999 and was last amended on March 24, 2019, employers shall make payments of the basic medical insurance, basic retirement insurance, insurance for work-related injury, unemployment insurance, maternity insurance and housing provident fund for the employees.

If the employer fails to file the registration for social insurance, the social insurance administration authority shall order it to make rectification within a prescribed time limit. If rectification is not made within the prescribed time limit, the employer will be imposed a fine. If the employer does not pay the full amount of the Social Insurance as scheduled, the social insurance collection institution shall order it to pay within a prescribed time limit together with a late fee. If the payment including the late fee is not settled by the prescribed time limit, the employer will be imposed a fine. If the employer fails to file the registration for the housing provident fund, the housing provident fund administration center shall order the employer to pay the amount of the housing provident fund as specified under the relevant laws and regulations within a prescribed time limit, and if the employer still fails to pay up within the prescribed time limit, the fund administration center may apply to the court for enforcement of the unpaid amount.

According to the Reform Scheme of Tax Collection and Management System of State Tax and Local Tax which took effect on July 20, 2018, the social insurance collection and management authority was to be transferred from the Ministry of Human Resources and Social Security to the SAT from January 1, 2019. On September 18, 2018, the general meeting of State Council announced that the policies for social insurance shall remain unchanged until the transfer of the authority for social insurance has been completed. On September 21, 2018, the Ministry of Human Resources and Social Security released an Urgent Notice on Enforcing the Requirement of the General Meeting of the State Council and Stabilization the Levy of Social Insurance Payment and required that the policies for both the rate and basis of social insurance contributions shall remain unchanged until the reform on the transfer of the authority for social insurance has been completed. On November 16, 2018, the SAT released the Notice of Certain Measures on Further Supporting and Serving the Development of Private Economy, which provided that the policy for social insurance shall remain stable and the SAT will pursue to lower the social insurance contribution rates with the relevant authorities, and ensure the overall burden of social insurance contribution on enterprises will be lowered.

Laws and Regulations Relating to Taxation

Corporate Income Tax

In accordance with the EIT Laws (defined thereafter), which took effect on January 1, 2008 and was last amended on December 29, 2018 and the Implementation Regulation for the Enterprise Income Tax Law of the PRC which took effect on January 1, 2008 and was last amended on April 23, 2019 (collectively, the “EIT Laws”), taxpayers consist of resident enterprises and non-resident enterprises. Resident enterprises are defined as enterprises that are established in China in accordance with the PRC laws, or that are established in accordance with the laws of foreign countries (or regions) but whose actual or de facto control entity is within the PRC. Non-resident enterprises are defined as enterprises that are set up in accordance with the laws of foreign countries (or regions) and whose actual administration is conducted outside the PRC, but (i) have entities or premises in China, or (ii) have no entities or premises in China but have income generated from China. According to the EIT Laws, foreign invested enterprises in the PRC are subject to corporate income tax at a uniform rate of 25%. For a non-resident enterprise having no office or establishment inside China, or for a non-resident enterprise whose incomes have no actual connection to its institution or establishment inside China, a withholding tax of 10% will be levied for the income derived from China.

The Notice Regarding the Determination of Chinese-Controlled Offshore Incorporated Enterprises as PRC Tax Resident Enterprises on the Basis of De Facto Management Bodies promulgated by the SAT and last amended on December 29, 2017 sets out the standards and procedures for determining whether the “de facto management body” of an enterprise registered outside of the PRC and controlled by PRC enterprises or PRC enterprise groups is located within the PRC.

In accordance with the EIT Laws, a high-tech enterprise which has independent intellectual property rights and complies with the rules of corporate income tax and other relevant laws and regulations enjoys a reduced corporate income tax rate of 15%. The specific standards and procedures for the management of identification of high-tech enterprises are stipulated in the Measures for the Administration of the Certification of High-tech Enterprises which were jointly issued by the Ministry of Science and Technology, the MOF and the SAT on April 14, 2008, took retroactive effect on January 1, 2008 and were amended on January 29, 2016, took retroactive effect on January 1, 2016.

Dividend Tax

Pursuant to the EIT Laws, income from equity investment between qualified PRC resident enterprises such as dividends and bonuses, which refers to investment income derived by a resident enterprise from its direct investment in another resident enterprise, is tax-exempt.

In addition, pursuant to the Arrangement between Mainland 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 which took effect in the PRC on January 1, 2007, the PRC resident enterprise which distributes dividends to its Hong Kong shareholders should pay income tax according to the PRC law. However, if the beneficiary of the dividends is a Hong Kong resident enterprise, which directly holds no less than 25% equity interests of the aforesaid enterprise (i.e., the dividend distributor), the tax levied shall be 5% of the distributed dividends.

Pursuant to the Circular of the State Administration of Taxation on Relevant Issues relating to the Implementation of Dividend Clauses in Tax Agreements which took effect on February 20, 2009, all of the following requirements shall be satisfied in order to enjoy the preferential tax rates provided under the tax agreements: (i) the tax resident that receives dividends should be a company as provided in the tax agreement; (ii) the equity interests and voting shares of the PRC resident company directly owned by the tax resident reach the percentages specified in the tax agreement; and (iii) the equity interests of the Chinese resident company directly owned by such tax resident at any time during the twelve months prior to receiving the dividends reach a percentage specified in the tax agreement. On February 3, 2018, the SAT issued the Notice on Certain Issues regarding Beneficial Owner in Tax Treaties which took effect on April 1, 2018 provides clearer guidelines and adopts comprehensive assessment approaches when determining whether a company can be qualified as Beneficial Owner, so as to enjoy the preferential tax rate on dividends.

Pursuant to Notice on Widening the Applicable Scope of the Policy of Temporary Exemption of Withholding Taxes on the Direct Investment Made by Overseas Investors with Distributed Profits which took effect on January 1, 2018, where the profits distributed by a resident enterprise within the territory of China to an overseas investor are directly invested in an investment project which is not in the prohibited category and is in conformity with the specified conditions, the project shall be governed by the deferred tax payment policy and be temporarily exempt from withholding income tax.

VAT

According to the Provisional Regulations on Value-added Tax of the PRC which took effect on January 1, 1994 and was last amended on November 19, 2017, and the Provisional Implementation Rules of the Provisional Regulations on Value-added Tax of the PRC which was last amended on October 28, 2011 and subsequently enforced on November 1, 2011, all enterprises and individuals that engage in the sale of goods, the provision of processing, repair and replacement services, and the importation of goods within the territory of the PRC shall pay VAT. According to the Circular on Comprehensively Promoting the Pilot Program of the Collection of VAT in Lieu of Business Tax, which took effect on May 1, 2016, the pilot practice of levying VAT in lieu of business tax was extended nationwide to the sale of services, intangible assets or property.

According to the Circular of the Ministry of Finance (the “MOF”) and SAT on Adjusting Value-added Tax Rates which took effect on May 1, 2018, where a taxpayer engages in a taxable sales activity for the VAT purpose or imports goods, the previous applicable 17% and 11% tax rates are adjusted to be 16% and 10% respectively, and are further adjusted to be 13% and 9% respectively in accordance with the Announcement of the MOF, the SAT and the General Administration of Customs on Deepening the Policies Related to Value-Added Tax Reform which took effect on April 1, 2019.

Urban Maintenance and Construction Tax as well as Education Surtax

In accordance with the Provisional Provisions on the Collection of Educational Surtax, 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 Provisional Regulations on Urban Maintenance and Construction Tax of the PRC which was last amended on January 8, 2011 and Circular of the State Administration of Taxation on Issues Concerning the Collection of the Urban Maintenance and Construction Tax, which took effect on March 12, 1994, any entity or individual liable to consumption tax, 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.

Laws and Regulations Relating to Foreign Exchange

In accordance with the Foreign Exchange Administrative Regulations of the PRC which was last amended on August 5, 2008, Renminbi is generally freely convertible for payments of current account items, such as trade and service-related foreign exchange transactions and dividend payments, but are not freely convertible for capital account items, such as capital transfer, direct investment, investment in securities, derivative products or loans unless prior approval/registration of the SAFE is obtained.

In accordance with the Administration Rule on the Settlement and Sale of and Payment in Foreign Exchange, which took effect on July 1, 1996, a foreign invested enterprise is allowed to process the settlement and sale of and payment in foreign exchange for capital account items after submitting valid commercial documents and getting approval from the SAFE. According to the Circular 13, which took effect on June 1, 2015, certain of the aforementioned approval rights of the SAFE are authorized to designated banks.

Pursuant to the Circular 19 which took effect on June 1, 2015, and the Notice of the State Administration of Foreign Exchange on Reforming and Standardizing the Administrative Provisions on Capital Account Foreign Exchange Settlement which took effect on June 9, 2016, whose main business is investment, are allowed to make equity investment in PRC using the Renminbi funds converted from its registered capital. Meanwhile, the use of such Renminbi funds converted cannot be:

- directly or indirectly used for the payment beyond the business scope of the enterprises or any payment prohibited by national laws and regulations;
- unless otherwise provided by laws and regulations, directly or indirectly used or investment in securities or other financial products investment (except the bank capital-protection products);
- granting loans to non-related enterprises unless permitted under the scope of business; or
- for construction or purchase of real estate not for self-use, save for real estate enterprises.

In October 2019, the SAFE released the Notice on Further Promoting the Facilitation of Cross-border Trade and Investment, which, among others, cancelled the restrictions on the domestic equity investment by non-investment foreign-funded enterprises with their capital funds and non-investment foreign-funded enterprises are allowed to make domestic equity investment with their capital funds in accordance with the law on the premise that the existing special administrative measures (Negative List) for foreign investment access are not violated and the projects invested thereby in China are true and legitimate.

In addition, foreign invested enterprises are allowed to settle foreign exchange capitals on a discretionary basis; the foreign invested enterprises may, according to its actual business needs, settle with a bank the portion of the foreign exchange capital in its capital account for which the relevant foreign exchange bureau has confirmed monetary contribution rights and interests (or for which the bank has registered the account-crediting of monetary contribution). For the time being, foreign invested enterprises are allowed to settle 100% of their foreign exchange capitals on a discretionary basis. The SAFE may adjust the foregoing percentage as appropriate based on prevailing international balance of payments.

In accordance with the Circular 37 which took effect on July 4, 2014, a “special purpose vehicle” means an overseas enterprise directly established or indirectly controlled by a domestic resident (including domestic institutions and domestic individual residents) for the purpose of engaging in investment and financing with the domestic enterprise assets or interests he legally holds, or with the overseas assets or interests he legally holds. Domestic residents establishing or taking control of a special purpose vehicle abroad which makes round-trip investments in PRC are required to file foreign exchange registration with the local foreign exchange bureau.

According to the Circular of the State Administration of Foreign Exchange on Further Simplifying and Improving the Direct Investment-related Foreign Exchange Administration Policies, the initial foreign exchange registration for establishing or taking control of a special purpose company by domestic residents can be filed with a designated bank, instead of the local foreign exchange bureau.

Pursuant to the Circular on Further Improving Reform of Foreign Exchange Administration and Optimizing Genuineness and Compliance Verification (the “Circular 3”) which took effect on January 26, 2017, stipulates several capital control measures with respect to the outbound remittance of profit from domestic entities to offshore entities, including (i) under the principle of genuine transaction, banks shall check board resolutions regarding profit distribution, the original version of tax filing records and audited financial statements; and (ii) domestic entities shall hold income to account for previous years’ losses before remitting profits. Moreover, pursuant to SAFE Circular 3, domestic entities shall make detailed explanations of the sources of capital and utilization arrangements, and provide board resolutions, contracts and other proof when completing the registration procedures in connection with an outbound investment.

Laws and Regulations Relating to Overseas Direct Investment

The Administrative Measures for Overseas Investment Management was promulgated by the MOFCOM on September 6, 2014 and came into effect on October 6, 2014. As defined by the 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 Overseas Investment Certificate for Enterprise by the relevant provincial commercial administration authorities.

On December 26, 2017, NDRC issued the Administrative Measures for the Overseas Investment of Enterprises, 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 the large-amount non-sensitive overseas investment projects with the investment amount of USD\$ 300 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 issued the Catalogue of Sensitive Overseas Investment Industry (2018 Version) 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 (“WFOE”) 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.

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 after-tax its 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.

Available Information

We file electronically with the SEC our Annual Report on Form 10-K, Quarterly Reports on Form 10-Q, Current Reports on Form 8-K, and amendments to reports filed or furnished pursuant to Section 13(a) or 15(d) of the Exchange Act of 1934, as amended (the “Exchange Act”). We are subject to the informational requirements of the Exchange Act and file or furnish reports, proxy statements, and other information with the SEC. The SEC maintains a website at www.sec.gov that contains reports, proxy and information statements and other information that we file with the SEC electronically. The contents of the websites referred to above are not incorporated into this filing. Further, our references to the URLs for these websites are intended to be inactive textual references only.

Item 1A. Risk Factors

You should carefully consider the risks and uncertainties described below, together with all the other information in this Annual Report on Form 10-K, including “Management’s Discussion and Analysis of Financial Condition and Results of Operations” and the consolidated financial statements and the related notes. If any of the following risks actually occurs (or if any of those discussed elsewhere in this Annual Report on Form 10-K occurs), our business, reputation, financial condition, results of operations, revenue, and future prospects could be seriously harmed. The risks and uncertainties described below are not the only ones we face. Additional risks and uncertainties that we are unaware of, or that we currently believe are not material, may also become important factors that adversely affect our business. Unless otherwise indicated, references to our business being seriously harmed in these risk factors will include harm to our business, reputation, financial condition, results of operations, revenue, and future prospects. In that event, the market price of our common stock could decline, and you could lose part or all of your investment.

Risk Factors Relating to Our Business and Industry

The holographic technology service industry is developing rapidly and affected by continuous technological changes, with the risk that we cannot continue to make the correct strategic investment and develop new products to meet customer needs.

The holographic service industry develops rapidly, and our success depends on our ability to continuously develop and implement services and solutions that predict and respond to rapid and ongoing changes in holographic technology and the industry, and to continuously provide services that meet the changing needs of customers. If we do not invest enough in new technologies, or if we do not make the right strategic investments to address these developments and drive innovation, our competitive advantages may be negatively impacted. To maintain and enhance our current competitive position, we need to continuously introduce new solutions and services to meet customers' needs.

Research and development of new technologies and solutions require substantial investments of human resources and capital. However, there is no guarantee that our research and development will be successful, or that we could achieve the expected return on our human resources and capital investments. While we intend to invest substantial resources to remain on the forefront of technological development, continuing changes in holographic technology and the markets, including the ADAS and autonomous driving industries, LiDAR and holographic digital twin technology service industries, could adversely affect adoption of holographic technology and/or our products, either generally or for particular applications. Our future success will depend upon our ability to develop and introduce a variety of new capabilities and innovations to our existing product offerings, as well as the ability to introduce a variety of new product offerings, to address the changing needs of the markets. If we are unable to devote adequate resources to develop products or cannot otherwise successfully develop products or system configurations that meet customer requirements on a timely basis or that remain competitive with technological alternatives, our products could lose market share, our revenue may decline, and our business and prospects may be adversely affected.

In addition, our success to date has been based on the delivery of holography-centered software and hardware solutions to research and development programs in which developers are investing substantial capital to develop new systems. Our continued success relies on the success of the research and development phase of these customers as they expand into commercialized projects. For example, with respect to our holographic ADAS segment, most of our automotive customers are just beginning on the path to commercialization, as large-scale commercialization of the autonomous driving industry is yet to start. As holographic technology reaches the stage of large-scale commercialization, we will be required to develop and deliver holography-centered software and hardware solutions at price points that enable wider and ultimately mass-market adoption. In addition, the delays in introducing products and innovations, and the failure to choose correctly among technical alternatives or the failure to offer innovative products or configurations at competitive prices may cause existing and potential customers to purchase our competitors' products or turn to alternative technologies.

Our competitive position and results of operations could be harmed if we do not compete effectively.

The holographic service market is characterized by intense competition, new industry standards, limited barriers to entry, disruptive technology developments, short product life cycles, customer price sensitivity and frequent product introductions (including alternatives with limited functionality available at lower costs or free of charge). Any of these factors could create downward pressure on pricing and profitability and could adversely affect our ability to retain current customers or attract new customers. Our future success will depend on the ability to continuously enhance and integrate our existing products and services, introduce new products and services in a timely and cost-effective manner, meet changing customer expectations and needs, extend our core technology into new applications, and anticipate emerging standards, business models, software delivery methods and other technological developments.

Furthermore, some of our current and potential competitors enjoy competitive advantages such as greater financial, technical, sales, marketing and other resources, broader brand awareness, and access to larger customer bases. As a result of these advantages, potential and current customers might select the products and services of our competitors, which may cause a loss of market share to us.

Adverse conditions in the related industries, such as the automotive industry, or the global economy in general could have adverse effects on our results of operations.

Our business is dependent, in large part on, and directly affected by, business cycles and other factors affecting the related industries, such as the automobile industry, and the global economy in general. Automotive production and sales are highly cyclical and depend on general economic conditions and other factors, including consumer spending and preferences, changes in interest rates and credit availability, consumer confidence, fuel costs, fuel availability, environmental impact, governmental incentives and regulatory requirements, and political volatility, especially in energy-producing countries and growth markets. In addition, automotive production and sales can be affected by our automotive customers' ability to continue operating in response to challenging economic conditions and in response to labor relations issues, regulatory requirements, trade agreements and other factors. The volume of automotive production in China has fluctuated, sometimes significantly, from year to year, and we expect such fluctuations to give rise to fluctuations in the demand for our products. In addition, adverse conditions in the global economy in general could also adversely affect the results of operations of our customers. Any significant adverse changes in the results of operations of our customers could in turn have material adverse effects on our business, results of operations and financial position.

The market adoption of LiDAR, especially holographic LiDAR technology, is uncertain. If market adoption of LiDAR does not continue to develop, or develops more slowly than we expect, our business will be adversely affected.

Our holographic LiDAR-based ADAS solutions can be applied to different use cases across end markets. Despite the fact that the automotive industry has engaged in considerable effort to research and test LiDAR products for ADAS and autonomous driving applications, the application of LiDAR products, especially holographic LiDAR products, in commercially available vehicles has been generally limited. We continually study emerging and competing sensing technologies and methodologies and we may add new sensing technologies to address LiDAR's relative deficiencies in detecting colors and low reflectivity objects and performing in extreme weather conditions. However, LiDAR products remain relatively new, and it is possible that other sensing modalities, or a new disruptive modality based on new or existing technology, including a combination of different technologies, will achieve acceptance or leadership in the ADAS and autonomous driving industries. Even if LiDAR products are used in initial generations of autonomous driving technology and certain ADAS products, we cannot guarantee that LiDAR products will be designed into or included in subsequent generations of such commercialized technology.

Market growth potentials for ADAS or autonomous vehicles is difficult to predict, especially in light of the economic consequences of the COVID-19 pandemic. By the time mass market adoption of autonomous vehicle technology is achieved, we expect competition among providers of sensing technology based on LiDAR and other modalities to increase substantially. If commercialization of LiDAR products is not successful, or not as successful as we or the market expect, or if other sensing modalities gain acceptance by market participants and regulators by the time autonomous vehicle technology achieves mass market adoption, our business, results of operations and financial condition will be materially and adversely affected.

We are investing in and pursuing market opportunities outside of the automotive markets, including but not limited to industrial and security robots, mapping applications for topography and surveying and smart city initiatives. We believe that our future revenue growth, if any, will depend in part on our ability to expand within new markets such as these and to enter new markets as they emerge. Each of these markets presents distinct risks and, in many cases, requires us to address the particular requirements of that market. Addressing these requirements can be time-consuming and costly. The market for LiDAR technology outside of automotive applications is relatively new, rapidly developing and unproven in many markets or industries. Many of our customers outside of the automotive industry are still in the testing and development phases and we cannot be certain that they will commercialize products or systems with our LiDAR products or at all. We cannot be certain that LiDAR will be sold into these markets, or any market outside of automotive market, at scale. If LiDAR technology does not achieve commercial success outside of the automotive industry, or if the market develops at a pace slower than we expect, our business, results of operation and financial condition will be materially and adversely affected.

Our results of operations could materially suffer in the event of insufficient pricing to enable us to meet profitability expectations.

If we are not able to obtain sufficient pricing for our services and solutions, our revenues and profitability could materially suffer. The rates we are able to charge for services and solutions are affected by a number of factors, including:

- general economic and political conditions;
- the competitive environment in our industry;
- market price of our service and products provided;
- our bargaining power when entering into contract with customers;
- our customers' preferences and desire to reduce their costs; and
- our ability to accurately estimate, monitor and manage our contract revenues, costs of sales, profit margins and cash flows over the full contract period.

In addition, our profitability with respect to services and solutions for new technologies may be different when compared to the profitability of our current business, due to factors such as the use of alternative pricing, the mix of work and the number of service providers, among others.

The competitive environment in the holographic technology service industry and related industries in the PRC affects our ability to obtain favorable pricing in a number of ways, any of which could have a material negative impact on our results of operations. The less we are able to differentiate and/or clearly convey the value of our services and solutions, the more likely that price will become the driving factor in selecting a service provider. In addition, the introduction of new services or products by competitors could reduce our ability to obtain favorable pricing for the services or products that we offer. Competitors may be willing, at times, to price contracts lower than us in an effort to enter new markets or increase market share. Further, if competitors develop and implement methodologies that yield greater efficiency and productivity, they may be better positioned to offer similar services at lower prices. As such, failure to adopt a sufficient pricing policy or adjust our pricing policy in a timely and effective manner could adversely and materially affect our competitive position in the industry, which could adversely and materially affect our operations and financial conditions.

We expect to incur substantial research and development costs and devote significant resources to identifying and commercializing new products, which could significantly reduce our profitability, and there is no guarantee that such efforts would eventually generate revenue for us.

Our future growth depends on penetrating new markets, adapting existing technologies and products to new applications and customer requirements, and introducing new services and products that achieve market acceptance. We plan to incur substantial and potentially increasing, research and development costs as part of our efforts to design, develop, manufacture, and commercialize new products and enhance existing products. Because we account for research and development as an operating expense, these expenditures will adversely affect our results of operations in the future. Further, the performance of holographic LiDAR depends on software and hardware solutions involving the integration of automotive integrated circuit (IC), holographic image processing and algorithm software. Production of these complex components may require extremely high cost, which may reduce our profit margins or increase our losses.

We may need to raise additional capital in the future in order to execute our business plan, which may not be available on terms acceptable to us, or at all.

In the future, we may require additional capital to respond to technological advancements, competitive dynamics or technologies, customer demands, business opportunities, challenges, acquisitions or unforeseen circumstances and we may determine to engage in equity or debt financings, or to enter into credit facilities for other reasons. In order to further business relationships with current or potential customers and partners, we may issue equity or equity-linked securities to such current or potential customers or partners. We may not be able to timely secure additional debt or equity financing on favorable terms, or at all. If we raise additional funds through the issuance of equity or convertible debt or other equity-linked securities or if we issue equity or equity-linked securities to current or potential customers to further business relationships, our existing shareholders could experience significant dilution. Any debt financing obtained by us in the future could involve restrictive covenants relating to our capital raising activities and other financial and operational matters, which may make it more difficult for us to obtain additional capital and to pursue business opportunities, including potential acquisitions. If we are unable to obtain adequate financing or financing on terms satisfactory to us, our ability to continue to grow or support our business and to respond to business challenges could be significantly limited.

Market share of our holographic LiDAR products will be materially adversely affected if such products are not adopted by the automotive original equipment manufacturers (OEMs) or their supplier for ADAS applications.

The OEMs and their suppliers have been developing applications in the autonomous driving and ADAS industries over the years. These OEMs manufacturers and suppliers perform extensive testing or identification processes before ordering a large number of LiDAR products, as such products would function as part of a larger system or platform and must comply with certain other specifications. In the future, we may spend a lot of time and resources to have our products selected by automotive OEMs and their suppliers, which is called “design win.” In terms of autonomous driving and ADAS technology, a design win means that our holographic LiDAR products have been selected for use in specific models. If our products are not selected by the OEMs or their suppliers for one model, or if our products are not successful on that model, it is unlikely to be deployed on other models of that OEM. If we fail to win a large number of models from one or more automotive OEMs or their suppliers, our business will be materially adversely affected.

We have material customer concentration, with a limited number of customers accounting for a material portion of our revenues for the years ended December 31, 2022 and 2021.

For the year ended December 31, 2022, our five largest customers in aggregate accounted for approximately 43.5% of our revenues, and our largest customer accounted for approximately 12.9% of our revenues. There are inherent risks whenever a large percentage of total revenues are concentrated with a limited number of customers. It is not possible for us to predict the future level of demand for our products and services that will be generated by these customers, or to predict the future demand for the products and services of these customers in the end-user marketplace. In addition, revenues from these customers may fluctuate from time to time, which may be affected by market conditions or other factors, some of which may be outside of our control. Further, we may not be able to maintain and solidify our relationships with these major customers on commercially reasonable terms, or at all. As such, any declines in revenues from our major customers could have an adverse effect on our business, results of operations and financial condition.

The period of time from a “design win” to implementation is long, and we are subject to the risks of cancellation or postponement of the contract or unsuccessful implementation

Prospective customers, including those in the automotive industry, generally must make significant commitments of resources to test and validate our products and confirm that they can integrate with other technologies before including them in any particular system, product or model. The development cycles of our products with new customers varies widely depending on the application, market, customer and the complexity of the product. In the automotive market, for example, this development cycle can be five to seven or more years. The development cycle in certain other markets can be months to one or two years. These development cycles result in our investment of resources prior to realizing any revenue from the commercialization. Further, we are subject to the risk that customers cancel or postpone implementation of our technology, as well as that we will not be able to integrate our technology successfully into a larger system with other sensing modalities. Further, our revenue could be less than forecasted if the system, product or vehicle model that includes our LiDAR products is unsuccessful, including for reasons unrelated to our technology. Long development cycles and product cancellations or postponements may adversely affect our business, results of operations and financial condition.

The complexity of our products could result in unforeseen delays or expenses from undetected defects, errors or bugs in hardware or software which could reduce the market adoption of our new products, damage our reputation with current or prospective customers, result in product returns or expose us to product liability and other claims and adversely affect our operating costs.

Our products are highly technical and very complex and require high standards to manufacture. These products have in the past and will likely in the future experience defects, errors or bugs at various stages of development. We may be unable to timely release new products, manufacture existing products, correct problems that have arisen or correct such problems to our customers' satisfaction. Additionally, undetected errors, defects or security vulnerabilities, especially as new products are introduced or as new versions are released, could result in (i) serious injury to the end users of technology incorporating our products, or those in the surrounding area, (ii) customers never being able to commercialize technology incorporating our products, and (iii) litigation against us, negative publicity and other consequences. These risks are particularly prevalent in the highly competitive autonomous driving and ADAS markets. Some errors or defects in our products may only be discovered after they have been tested, commercialized and deployed by customers. If that is the case, we may incur significant additional development costs and product recall, repair or replacement costs. Furthermore, we could also experience higher levels of product returns in such cases, which could adversely affect our financial results. These problems may also result in claims against us by our customers or others. Our reputation or brand may be damaged as a result of these problems, and customers may be reluctant to buy our products, which could adversely affect our ability to retain existing customers and attract new customers.

Failure in cost control may negatively impact the market adoption and profitability of our products.

Our production output depends on our ability to produce and/or procure certain key components and raw materials at an acceptable price. If we fail to reduce or control costs to be incurred thereof, we might not be able to price our products competitively, which in turn may reduce the market adoption rate of our products. In addition, failure in cost control may also result in material adverse effects on our profitability. As such, our results of operations and financial position will be adversely affected.

Continued pricing pressures may result in low profitability, or even losses to us.

Automotive OEMs possess significant leverage over their suppliers, including us, because the automotive component supply industry is highly competitive and has a high fixed cost base. Accordingly, we expect to be subject to substantial continuing pressure from automotive OEMs and their suppliers to reduce the price of our products. It is possible that pricing pressures could intensify beyond our expectations as automotive OEMs pursue restructuring, consolidation and cost-cutting initiatives. If we are unable to generate sufficient production cost savings in the future to offset price reductions, our profitability would be adversely affected.

We have a limited operating history, and we may not be able to sustain rapid growth, effectively manage growth or implement business strategies.

We have a limited operating history. Although we have experienced significant growth since launching our business, our historical performance results and growth rate may not be indicative of our future performance. We may not be able to achieve similar results or grow at the same rate as we have in the past. To keep pace with the development of the holographic technology service industry in the PRC, we may need to adjust and upgrade our product and service offerings or modify our business model. These adjustments may not achieve expected results and may have a material and adverse impact on our financial conditions and results of operations.

In addition, our rapid growth and expansion have placed, and is expected to continue to place, a significant strain on our management and resources. There is no assurance that our future growth will be sustained at a similar rate or at all. We believe that our revenue, expenses and operating results may vary from period to period in response to a variety of factors beyond our control, which primarily include general economic conditions, emergencies and changes in policies, laws and regulations that may affect our business operations and our ability to monitor costs. In addition, our ability to develop new sources of revenues, diversify monetization methods, attract and retain customers, continue developing innovative technologies, increase brand awareness, expand into new market segments, and adjust to the rapidly changing regulatory environment in the PRC, will also affect our future growth to a great extent. Therefore, our historical results are not predictive of our future financial performance.

If we fail to attract, retain and engage appropriately-skilled personnel, including senior management and technology professionals, our business may be harmed.

Our future success depends on the retention of highly skilled executives and employees. Competition for well-qualified and skilled employees is intense. Our future success also depends on the continuing ability to attract, develop, motivate and retain highly qualified and skilled employees, including, in particular, software engineers, LiDAR scientists and holographic technology professionals. Our continued ability to compete effectively depends on the ability to attract new employees and to retain and motivate existing employees. If any member of our senior management team or other key employees leave, our ability to successfully operate the business and execute the business strategy could be adversely affected. We may also have to incur significant costs in identifying, hiring, training and retaining replacements of departing employees.

Our business depends substantially on the market recognition of our brand, and negative media coverage could adversely affect our business.

We believe that enhancing our brand and extending our customer base are cornerstones to sustaining our competitive advantages. Negative publicity about us and our business, shareholders, affiliates, directors, officers, and other employees, as well as the industry in which we operate, could be devastating and could materially and adversely affect the public perception of our brand, and in turn, reduce the sales of our products and services. Negative publicity concerning could be related to a wide variety of matters, including:

- alleged misconduct or other improper activities committed by our shareholders, affiliates, directors, officers and other employees;
- false or malicious allegations or rumors about us or our shareholders, affiliates, directors, officers, and other employees;
- user complaints about the quality of our products and services;
- copyright or patent infringements involving us and contents offered on our platforms; and
- governmental and regulatory investigations or penalties resulting from our failure to comply with applicable laws and regulations.

In addition to traditional media, there has been an increasing use of social media platforms and similar devices in China, including instant messaging applications, social media websites and other forms of internet-based communications that provide individuals with access to a broad audience of users and other interested persons. The availability of information on instant messaging applications and social media platforms is virtually immediate as its impact without affording us an opportunity for redress or correction. The opportunity for dissemination of information, including inaccurate information, is seemingly limitless and readily available. Information concerning us, shareholders, directors, officers and employees may be posted on such platforms at any time. Risks associated with any such negative publicity or incorrect information cannot be eliminated entirely or mitigated, and may materially harm our reputation, business, financial condition and results of operations.

Failure to maintain, protect, and enhance our brand or to enforce our intellectual property rights may damage the results of our business and operations.

We believe that the protection of trade secrets, patents, trademarks and domain names is key to our success. In particular, we must maintain, protect, and strengthen our intellectual property rights related to our holographic technical services. Its intellectual property is essential to expanding the population of individuals and corporate users as well as increasing their trust in our services. We are committed to protecting our intellectual property rights in accordance with PRC laws and relevant agreements. We usually enter into confidentiality agreements with our employees to restrict the access, disclosure, and use of our proprietary information. However, we cannot guarantee that the contractual arrangements and other measures taken by us are sufficient to prevent the theft of our proprietary information, to prevent competitors from independently developing similar technologies, or to prevent any attempt to imitate it. Preventing unauthorized use of our intellectual property is difficult and costly, and the measures we take may not be enough to prevent intellectual property theft. If we sue for enforcing intellectual property, the litigation may result in huge costs and dispersion of our management and financial resources. Failure to protect our intellectual property rights may have a significant adverse impact on our business, financial position and operating performance.

We may be vulnerable to intellectual property infringement charges filed by other companies.

Although we developed and owns the core intellectual properties, the interpretation of PRC intellectual property laws and intellectual property standards are constantly evolving and may be uncertain. As a result, there might be litigations based on allegations of infringement, misappropriation or other violations of intellectual property rights. our defense of intellectual property rights claims brought against us or our customers, suppliers and channel partners, with or without merit, could be time-consuming, expensive to litigate or settle, divert management resources and attention and force us to acquire intellectual property rights and licenses, which may involve substantial royalty or other payments. An adverse determination also could invalidate our intellectual property rights and adversely affect our ability to offer our products to our customers and may require that we procure or develop substitute products that do not infringe, which could require significant effort and expense. A claim that our products infringe a third party's intellectual property rights, even if untrue, could adversely affect our relationships with our customers, may deter future customers from purchasing our products and could expose us to costly litigation and settlement expenses. Any of these events could adversely affect our business, operating results, financial condition and prospects.

We may not be able to protect our source code from copying if there is an unauthorized disclosure.

Source code, the detailed program commands for our middleware and software programs and solutions, is critical to our business. Although we license portions of our application and operating system source code to several licensees, we take significant measures to protect the secrecy of large portions of our source code. If our source code leaks, we might lose future trade secret protection for that code. It may then become easier for third parties to compete with us by copying functionality, which could adversely affect our results of operations.

Third parties may register trademarks or domain names or purchase internet search engine keywords that are similar to our trademarks, brand or websites, or misappropriate our data and copy our platform, all of which could cause confusion to our users, divert online customers away from our products and services or harm our reputation.

To divert potential customers from us to such competitors' or third parties' websites or platforms, competitors and other third parties may purchase (i) trademarks that are similar to our trademarks and (ii) keywords that are confusingly similar to our brand or websites in internet search engine advertising programs and in the header and text of the resulting sponsored links or advertisements in order to divert our potential customers to such competitors' or third parties' websites or platforms. Preventing such unauthorized use is inherently difficult. If we are unable to prevent such unauthorized use, competitors and other third parties may continue to drive potential customers away from our platform to competing, irrelevant or potentially offensive platform, which could harm our reputation and cause us to lose revenue.

Our business is highly dependent on the proper functioning and improvement of our information technology systems and infrastructure. Our business and operating results may be harmed by service disruptions, or by our failure to timely and effectively scale up and adjust our existing technology and infrastructure.

Our business depends on the continuous and reliable operation of our information technology ("IT") systems. Our IT systems are vulnerable to damage or interruption as a result of fires, floods, earthquakes, power losses, telecommunications failures, undetected errors in software, computer viruses, hacking and other attempts to harm our IT systems. Disruptions, failures, unscheduled service interruptions or a decrease in connection speeds could damage our reputation and cause our customers and end-users to migrate to our competitors' platforms. If we experience frequent or constant service disruptions, whether caused by failures of our own IT systems or those of third-party service providers, then our user experience may be negatively affected, which in turn may have a material and adverse effect on our reputation and business. We may not be successful in minimizing the frequency or duration of service interruptions. As the number of our end-users increases and more user data are generated on our platform, we may be required to expand and adjust technology and infrastructure to continue to reliably store and process content.

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

Almost all access to the Internet in China is maintained through state-owned telecommunication operators under the administrative control and regulatory supervision of the Ministry of Industry and Information Technology, or the MIIT. Moreover, we primarily rely on a limited number of telecommunication service providers to provide us with data communications capacity through local telecommunications lines and Internet data centers to host our servers. We have limited access to alternative networks or services in the event of disruptions, failures or other problems with China's Internet infrastructure or the fixed telecommunications networks provided by telecommunication service providers. Web traffic in China has experienced significant growth during the past few years. Effective bandwidth and server storage at Internet data centers in large cities such as Beijing and Shenzhen are scarce. With the expansion of our business, we may be required to upgrade technology and infrastructure to keep up with the increasing traffic on our platform. We cannot assure you that the Internet infrastructure and the fixed telecommunications networks in China will be able to support the demands associated with the continued growth in Internet usage. If we cannot increase our capacity to deliver online services, then we may not be able to expand our customer base, and the adoption of our services may be hindered, which could adversely impact our business and profitability.

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

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

Our business partially depends on services provided by, and relationships with, various third parties. Some third-party software we use in our operations is currently publicly available and free of charge. If the owner of any such software decides to charge users or no longer makes the software publicly available, then we may need to incur significant costs to obtain licensing, find replacement software or develop it on our own. If we are unable to obtain licensing, find or develop replacement software at a reasonable cost, or at all, our business and operations may be adversely affected.

We exercise no control over the third parties with whom we have business arrangements. If such third parties increase their prices, fail to provide their services effectively, terminate their service or agreements or discontinue their relationships with us, then we could suffer service interruptions, reduced revenues or increased costs, any of which may have a material adverse effect on our business, financial condition and results of operations.

Our insurance policies may not provide adequate coverage for all claims associated with our business operations.

We maintain various insurance policies, such as group personal accident insurance and corporate employee benefits insurance. However, our insurance coverage is still limited in terms of amount, scope and benefit. Insurance companies in China offer limited business insurance products. We do not have any business liability or disruption insurance coverage for our operations in China. Any business disruption may result in our incurring substantial costs and the diversion of our resources. Any uninsured business disruption, litigation or legal proceedings or natural disasters, such as epidemics, pandemics or earthquakes, or other events beyond our control could result in substantial costs and the diversion of our management's attention. If we were to be held liable for uninsured losses or amounts and claims for insured losses exceeding the limits of our insurance coverage, then our business, financial condition, and results of operations may be materially and adversely affected as a result.

We may be subject to claims, disputes or legal proceedings in the ordinary course of our business. If the outcome of these proceedings is unfavorable to us, then our business, results of operations and financial condition could be adversely affected.

We may be subject to claims, disputes, or legal proceedings in the ordinary course of our business from time to time, which could adversely affect our business, results of operations and financial condition. We may receive formal and informal inquiries from governmental authorities and regulators regarding our compliance with applicable laws and regulations, many of which are evolving and subject to interpretation. Claims arising out of actual or alleged violations of laws could be asserted against us by our employees, customers, media partners, competitors, governmental entities in civil or criminal investigations and proceedings or other third parties. These claims could be asserted under a variety of laws, including but not limited to advertising laws, Internet information services laws, intellectual property laws, unfair competition laws, data protection and privacy laws, labor and employment laws, securities laws, real estate laws, tort laws, contract laws, property laws and employee benefit laws. We may also be subject to lawsuits due to actions by our media partners or advertising customers. In addition, some of our service agreements contain certain indemnity provisions requiring us to indemnify our customers for certain non-compliance, intellectual property infringement, personal injury and death claims. Our indemnity obligations may adversely affect our cash flow, operating results and financial conditions.

There can be no guarantee that we will be successful in defending itself in legal and arbitration actions or in asserting our rights under various laws. If the outcome of these proceedings is unfavorable to us, then our business, results of operations and financial conditions could be adversely affected. Even if we are successful in our attempt to defend itself in legal and arbitration 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 may expose us to negative publicity, 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 our licenses to conduct business.

We may need additional capital to support or expand our business, and we may be unable to obtain such capital in a timely manner or on acceptable terms, if at all.

Although we believe that our anticipated cash flows from operating activities, together with cash on hand, will be sufficient to meet our anticipated working capital requirements and capital expenditures in the ordinary course of business for the next twelve months, we cannot assure you this will be the case. We may also need additional cash resources in the future if we pursue opportunities for investments, acquisitions or similar actions. If we determine that our cash requirements exceed the amount of cash and cash equivalents we have on hand at the time, we may seek to issue equity or debt securities or obtain credit facilities. The issuance and sale of additional equity would result in further dilution to our shareholding. The incurrence of indebtedness would result in increased fixed obligations and could result in operational and financial covenants that would restrict our operations. We have historically used bank borrowings to partially finance operations. We cannot assure you that additional financing will be available in amounts sufficient or on terms acceptable to us, if at all.

Our management has limited experience in operating a public company and the requirements of being a public company may strain our resources, divert management's attention and affect the ability to attract and retain qualified board members and officers.

Our executive officers have limited experience in the management of a publicly traded company. Our management team may not successfully or effectively manage our transition to a U.S. public company that will be subject to significant regulatory oversight and reporting obligations under U.S. federal securities laws. Their limited experience in dealing with the increasingly complex laws pertaining to public companies could be a significant disadvantage in that it is likely that an increasing amount of their time may be devoted to these activities which will result in less time being devoted to the management and our growth, which could harm our business, prospects and results of operations. We may not have adequate personnel with the appropriate level of knowledge, experience, and training in the accounting policies, practices or internal controls over financial reporting required of public companies in the United States. The development and implementation of the standards and controls necessary for us to achieve the level of accounting standards required of a public company in the United States may require costs greater than expected. It is possible that we will be required to expand our employee base and hire additional employees to support our operations as a public company, which will increase our operating costs in future periods. Compliance with these rules and regulations will increase our legal and financial compliance costs, make some activities more difficult, time-consuming or costly and increase demand on our systems and resources.

Our business may be materially and adversely affected by the effects of natural disasters, health epidemics or similar situation. In particular, the COVID-19 pandemic has already and may continue to cause negative impacts to our business, results of operations and financial condition.

Our business could be materially and adversely affected by natural disasters, such as earthquakes, floods, blizzards, typhoons or fire accidents, epidemics such as avian flu, swine flu, SARS, Ebola, Zika, COVID-19, or other events, such as acts of war, terrorism, environmental accidents, power shortages or communication interruptions.

Since the beginning of 2020, the COVID-19 pandemic has caused temporary closures of shops and facilities in China and around the world. Our business growth used to be negatively affected as a result of the COVID-19 pandemic, and we had ever incurred additional implementation costs and general and administrative expenses, and thus financial condition was adversely affected. As COVID-19 has negatively affected the broader Chinese economy and the global economy, China may continue to experience lower domestic consumption, higher unemployment, severe disruptions to exporting of goods to other countries and greater economic uncertainty, all of which may materially and adversely affect our business and results of operations. Potential impacts of the COVID-19 pandemic include, but not limited to the following aspects:

- temporary closure of offices, travel restrictions or business suspension of our customers' business have already affected and may continue to adversely affect the demand for our services;
- our suppliers may experience supply chain disruption, which could significantly reduce goods supply;
- our customers may request additional time for payment or may not pay us at all, which could significantly increase the amount and turnover days of our trade receivables, and require us to record additional allowance for doubtful accounts;
- any precautionary measure taken to minimize the risks of COVID-19, including travel restriction, quarantine, provisional request of remote work for employees, cancellation or postponement of industry activities and business travel, could damage our efficiency and productivity during the above-mentioned period and incur additional costs, slow down the brand promotion and marketing efforts, causing short-term fluctuation to our results of operations.

Due to the uncertain nature of the COVID-19 pandemic, it is impossible to reasonably estimate the financial impact brought by the outbreak and countermeasures of COVID-19 pandemic for the time being. While most of the restrictions on movement within China have been relaxed as of the date of this Annual Report, there is great uncertainty as to the future progress of the pandemic. Relaxation of restrictions on economic and social life may lead to new cases, which may lead to re-imposition of restrictions. Consequently, the COVID-19 pandemic may materially adversely affect our business, financial condition and results of operations in 2022. The extent to which this pandemic impacts our results of operations will depend on future developments which are highly uncertain and unpredictable, including new outbreaks of COVID-19, the severity of the virus infection, the effectiveness and availability of vaccines, and future actions we or the authorities may take in response to these developments.

We may be materially and adversely affected by the complexity, uncertainties and changes in the PRC laws and regulations governing Internet-related industries and companies.

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

- there are uncertainties relating to the regulation of the Internet business in China, including evolving licensing practices and the requirement for real-name registrations. Our PRC subsidiaries may be required to hold certain permits, licenses or operations, we may not be able to timely obtain or maintain all the required licenses or approvals, permits, or to complete filing, registration or other formalities necessary for our present or future operations, and we may not be able to renew certain permits or licenses or renew certain filing or registration or other formalities.

- the evolving PRC regulatory system for the Internet industry may lead to the establishment of new regulatory agencies. For example, in May 2011, the State Council announced the establishment of a new department, the State Internet Information Office. The primary role of this new agency is to facilitate the policy-making and legislative development in this field to direct and coordinate with the relevant departments in connection with online content administration and to deal with cross-ministry regulatory matters in relation to the Internet industry. We are unable to determine what policies this new agency or any new agencies to be established in the future may have or how they may interpret existing laws, regulations and policies and how they may affect us. Further, new laws, regulations or policies may be promulgated or announced that will regulate Internet activities. If these new laws, regulations or policies are promulgated, additional licenses may be required for our operations. If our operations do not comply with these new regulations after they become effective, or if we fail to obtain any licenses required under these new laws and regulations, we could be subject to penalties, and our business could be disrupted.

The interpretation and application of existing PRC laws, regulations and policies and possible new laws, regulations or policies relating to the Internet industry have created substantial uncertainties regarding the legality of existing and future foreign investments in, and the businesses and activities of, Internet businesses in China, including our business. There are also risks that we may be found to violate the existing or future laws and regulations given the uncertainty and complexity of China's regulation of Internet business.

Our business may be exposed to Internet data, and we are required to comply with PRC laws and regulations relating to cyber security. These laws and regulations could create unexpected costs, subject us to enforcement actions for compliance failures, or restrict portions of our business or cause us to change our data practices or business model.

Our business exposed to a large quantity of data. We face risks inherent in handling and protecting large volume of data, including:

- protecting the data in and hosted on our system, including against attacks on our system by outside parties or fraudulent behavior or improper use by our employees;
- addressing concerns related to privacy and sharing, safety, security and other factors; and
- complying with applicable laws, rules and regulations relating to the collection, use, storage, transfer, disclosure and security of personal information, including any requests from regulatory and government authorities relating to this data.

Governments around the world, including the PRC government, have enacted or are considering legislation related to online businesses. There may be an increase in legislation and regulation related to the collection and use of anonymous internet user data and unique device identifiers, such as IP address or mobile unique device identifiers, and other data protection and privacy regulation. The PRC regulatory and enforcement regime with regard to data security and data protection is evolving. All these laws and regulations may result in additional expenses and any non-compliance may subject us to negative publicity which could harm our reputation and negatively affect the trading price of our ordinary shares. There are also uncertainties with respect to how these laws will be implemented in practice. PRC regulators have been increasingly focused on regulation in the areas of data security and data protection. We expect that these areas will receive greater attention and focus from regulators, as well as attract continued or greater public scrutiny and attention going forward, which could increase our compliance costs and subject us to heightened risks and challenges associated with data security and protection. If we are unable to manage these risks, we could become subject to penalties, fines, suspension of business and revocation of required licenses, and our reputation and results of operations could be materially and adversely affected. In addition, regulatory authorities around the world have recently adopted or are considering a number of legislative and regulatory proposals concerning data protection. These legislative and regulatory proposals, if adopted, and the uncertain interpretations and application thereof could, in addition to the possibility of fines, result in an order requiring us to change our data practices, which could have an adverse effect on our business and results of operations.

We may qualify as a “foreign private issuer” on June 30, 2023, after which we will become exempt from certain rules under the Exchange Act that would otherwise apply if we were a domestic issuer.

We may qualify as a “foreign private issuer” on June 30, 2023, after which we will become exempt from certain rules under the Exchange Act that would otherwise apply if we were a domestic issuer, including:

- the sections of the Exchange Act regulating the solicitation of proxies, consents, or authorizations in respect of a security registered under the Exchange Act;
- the sections of the Exchange Act requiring insiders to file public reports of their stock ownership and trading activities and liability for insiders who profit from trades made in a short period of time; and
- the rules under the Exchange Act requiring the filing with the SEC of Annual Reports on Form 10-Q containing unaudited financial and other specified information, or current reports on Form 8-K, upon the occurrence of specified significant events.

We may take advantage of these exemptions (or voluntarily comply with the requirements applicable to US domestic public companies) until such time as we are no longer a foreign private issuer. We would cease to be a foreign private issuer at such time as more than 50% of our outstanding voting securities are held by US residents and any of the following three circumstances applies: (i) the majority of our executive officers or directors are US citizens or residents; (ii) more than 50% of our assets are located in the United States; or (iii) our business is administered principally in the United States.

If we lose our foreign private issuer status and decide, or is required, to register as a US domestic issuer, the regulatory and compliance costs to us will be significantly more than the costs incurred as a foreign private issuer. In such event, we would not be eligible to use foreign issuer forms, and would be required to file periodic and current reports and registration statements on US domestic issuer forms with the SEC, which are generally more detailed and extensive than the forms available to a foreign private issuer.

Risks Factors Relating to Finance and Accounting

Prior to the Business Combination, Golden Path had certain weaknesses in its internal control over financial reporting, which could continue to adversely affect our ability to report results of operations and financial condition accurately and in a timely manner.

On April 12, 2021, the Acting Director of the Division of Corporation Finance and Acting Chief Accountant of the SEC together issued a statement regarding the accounting and reporting considerations for warrants issued by special purpose acquisition companies entitled “Staff Statement on Accounting and Reporting Considerations for Warrants Issued by Special Purpose Acquisition Companies (“SPACs”)” (the “SEC Statement”). Specifically, the SEC Statement focused on certain provisions that provided for potential changes to the settlement amounts dependent upon the characteristics of the holder of the warrant, which terms are similar to those contained in the warrant agreement governing the warrants of Golden Path. As a result of the SEC Statement, on January 18, 2022, Golden Path reevaluated the accounting treatment of the 5,750,000 warrants that were issued to its public shareholders in its Initial Public Offering (the “Public Warrants”). Golden Path previously accounted for the Public Warrants as components of liabilities. Golden Path should have classified the Public Warrants as components of equity in its previously issued financial statements.

In addition, in accordance with the SEC and its staff’s guidance on redeemable equity instruments, ASC Topic 480, Distinguishing Liabilities from Equity (ASC 480), paragraph 10-S99, redemption provisions not solely within the control of Golden Path require ordinary shares subject to redemption to be classified outside of permanent equity. Golden Path had previously classified a portion of its ordinary shares in permanent equity. Although Golden Path did not specify a maximum redemption threshold, its charter provides that currently, it would not redeem its public shares in an amount that would cause its net tangible assets to be less than \$5,000,001. On January 18, 2022, Golden Path determined that the threshold would not change the nature of the underlying shares as redeemable and thus would be required to be disclosed outside equity. As a result, on January 20, 2022, Golden Path filed Form 8-K to disclose non-reliance on previously issued financial statements. On the same day, Golden Path filed Form 8-K/A to restate its financial statement as of June 24, 2021 and Form 10-Q/A to restate its Annual Report ended June 30, 2021.

To remediate these material weaknesses, Golden Path developed a remediation plan with assistance from its accounting advisors and have dedicated significant resources and efforts to the remediation and improvement of the internal control over financial reporting. The measure Golden Path planned to take include: (i) providing internal training to its accounting team on U.S. GAAP knowledge; and (ii) requiring staff members to participate in trainings and seminars provided by professional services firms on a regular basis to gain knowledge on regular accounting/SEC reporting updates; (iii) enhancing its system of evaluating and implementing the complex accounting standards that apply to its financial statements. (iv) providing enhanced access to accounting literature, research materials and documents and increased communication among its personnel and third-party professionals with whom Golden Path consult regarding complex accounting applications.

The elements of Golden Path's remediation plan can only be accomplished over time and there can be no assurance that the measures Golden Path had taken and remediated the material weaknesses identified prior to the Business Combination. We can offer no assurance that these remedial measures previously planned or taken by Golden Path will be effectively implemented or ultimately have the intended effects after the Business Combination. Additional material weaknesses or restatements of financial results may still arise in the future due to our failures to implement and maintain adequate internal control over financial reporting or circumvention of these controls. Even if we devote substantial resources to strengthen our controls and procedures, in the future those controls and procedures may not be adequate to prevent or identify irregularities or errors or to facilitate the fair presentation of financial statements.

Prior to the Business Combination, MC had previously identified certain material weaknesses which may continue to cause our failure to maintain an effective system of internal control over financial reporting and may result in material misstatements of the consolidated financial statements or cause us to fail to meet our periodic reporting obligations.

In the course of auditing MC's consolidated financial statements for the years ended December 31, 2020 and 2021, MC and its independent registered public accounting firm had identified certain material weaknesses in MC's internal control over financial reporting in accordance with the standards established by the Public Company Accounting Oversight Board of the United States ("PCAOB"). As defined in the standards established by the U.S. Public Company Accounting Oversight Board, a "material weakness" is a deficiency, or combination of deficiencies, in internal control over financial reporting, such that there is a reasonable possibility that a material misstatement of the annual or interim financial statements will not be prevented or detected on a timely basis.

The first material weakness was that MC did not maintain an effective control environment. Specifically, MC lacked sufficient resources regarding financial reporting and accounting personnel with an understanding of U.S. GAAP, in particular, to address complex U.S. GAAP technical accounting issues, related disclosures in accordance with U.S. GAAP, and financial reporting requirements set forth by the SEC. To address this material weakness, MC had engaged external consultants to assist with financial reporting and related disclosure under U.S. GAAP standard and plans to initiate a remediation plan to address the first material weakness. MC's remedial efforts primarily focused on: (i) hiring personnel expertized in technical accounting and financial reporting; (ii) improving its accounting and financial reporting procedures; and (iii) adopting various reporting systems to ensure the completeness, timeliness and accuracy of MC's financial reporting.

The second material weakness was that MC lacked formal policies and procedures to establish a risk assessment process and internal control framework and lacked an audit committee and the internal audit function to establish formal risk assessment process and internal control framework. To respond to this material weakness, MC had initiated a remediation plan in 2021. MC's remedial efforts primarily focused on: (i) identifying and evaluating risks that MC faces; (ii) adopting control activities to be taken to mitigate risks with written policies and procedures; (iii) ensuring efficient internal and external communication environment and all parts of MC are adhering to standard practices; and (iv) monitoring regularly to verify that internal controls are functioning property.

Since the closing of the Business Combination, we kept devoting significant effort and resources to the remediation and improvement of the weaknesses as aforementioned. As of the date of this Annual Report, we did not incur material costs related to the measures undertaken to address the two weaknesses. However, we may incur additional operating cost as we further proceed with such measures.

After the consummation of the Business Combination, MC became a part of Golden Path (currently known as MicroCloud Hologram Inc.), a public company in the United States subject to the Sarbanes-Oxley Act of 2002. Section 404 of the Sarbanes-Oxley Act of 2002 requires that we include a report of management on our internal control over financial reporting and that our independent registered public accounting firm attest to and report on the effectiveness of our internal control over financial reporting in our annual report on Form 20-F or Form 10-K beginning with our annual report for the fiscal year ending December 31, 2022. Our management may conclude that our internal control over financial reporting is not effective. Moreover, even if our management concludes that our internal control over financial reporting is effective, our independent registered public accounting firm, after conducting its own independent testing, may issue a report that is qualified if it is not satisfied with our internal controls or the level at which such internal controls are documented, designed, operated or reviewed, or if it interprets the relevant requirements differently from us. In addition, our reporting obligations may place a significant strain on our management, operational and financial resources and systems for the foreseeable future. We may be unable to timely complete our evaluation testing and any required remediation. We will continue the process to implement the remedial measures, there is no assurance that such measures will fully remedy any identified deficiency, or that additional material weaknesses in our controls and procedures will not be identified in the future.

During the course of documenting and testing our internal control procedures, in order to satisfy the requirements of Section 404, we may identify other weaknesses and deficiencies in our internal control over financial reporting. In addition, if we fail to maintain the adequacy of our internal control over financial reporting, as these standards are modified, supplemented or amended from time to time, we may not be able to conclude on an ongoing basis that it has effective internal control over financial reporting in accordance with Section 404. If we fail to achieve and maintain an effective internal control environment, it could suffer material misstatements in our financial statements and fail to meet reporting obligations, which would likely cause investors to lose confidence in our reported financial information. This could in turn limit our access to capital markets, harm our results of operations, and lead to a decline in the trading price of our ordinary shares.

Additionally, ineffective internal control over financial reporting could expose us to increased risk of fraud or misuse of corporate assets and subject us to potential delisting from the stock exchange on which we listed, regulatory investigations and civil or criminal sanctions. We may also be required to restate our financial statements from prior periods.

Risk Factors Relating to Doing Business in China

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

Substantially all of our revenues are generally sourced from Mainland China through the operating companies in China. Accordingly, our results of operations, financial condition and prospects are influenced by economic, political and legal developments in China. Economic reforms begun in the late 1970s have resulted in significant economic growth. However, any economic reform policies or measures in China may from time to time be modified or revised. China's economy differs from the economies of most developed countries in many respects, including with respect to the amount of government involvement, level of development, growth rate, control of foreign exchange and allocation of resources. Although the Chinese government has implemented measures emphasizing the utilization of market forces for economic reform, the reduction of state ownership of productive assets and the establishment of improved corporate governance in business enterprises, a substantial portion of productive assets in China is still owned by the government. In addition, the Chinese government continues to play a significant role in regulating industry development by imposing industrial policies. The Chinese government also exercises significant control over China's economic growth through allocating resources, controlling payment of foreign currency-denominated obligations, setting monetary policy, and providing preferential treatment to particular industries or companies.

While the PRC economy has experienced significant growth in the past 30 years, growth has been uneven across different regions and among different economic sectors. The Chinese government has implemented measures to encourage economic growth and guide the allocation of the resources. Some of these measures may benefit the overall Chinese economy but may have a negative effect on us. For example, our financial condition and results of operations may be adversely affected by government control over capital investments or changes in tax regulations.

Although the PRC economy has grown significantly in the past decade, that growth may not continue, as evidenced by the slowing of the growth of the PRC economy since 2012. Any adverse changes in economic conditions in China, in the policies of the PRC government or in the laws and regulations in China could have a material adverse effect on specific industries or the overall economic growth of China. Such developments could adversely affect our business and operating results, lead to reduction in demand for our services and adversely affect our competitive position.

A severe or prolonged downturn in the PRC or global economy and political tensions between the United States and China could materially and adversely affect our business and our financial condition.

The global macroeconomic environment is facing challenges, including the end of quantitative easing by the U.S. Federal Reserve, the economic slowdown in the Eurozone since 2014 and uncertainties over the impact of Brexit. The Chinese economy has shown slower growth compared to the previous decade since 2012 and the trend may continue. There is considerable uncertainty over the long-term effects of the expansionary monetary and fiscal policies adopted by the central banks and financial authorities of some of the world's leading economies, including the United States and China. There have been concerns over unrest and terrorist threats in the Middle East, Europe and Africa, which have resulted in market volatility.

If we plan to expand our business internationally and does business cross-border in the future, any unfavorable government policies on international trade, such as capital controls or tariffs, may affect the demand for our products and services, impact our competitive position, or prevent us from being able to conduct business in certain countries. If any new tariffs, legislation, or regulations are implemented, or if existing trade agreements are renegotiated, such changes could adversely affect our business, financial condition, and results of operations. In particular, there have been heightened tensions in international economic relations between the United States and China. The U.S. government has recently imposed, and has recently proposed to impose additional, new, or higher tariffs on certain products imported from China to penalize China for what the U.S. government characterizes as unfair trade practices. China has responded by imposing, and proposing to impose additional, new, or higher tariffs on certain products imported from the United States. Following mutual retaliatory actions for months, on January 15, 2020, the United States and China entered into the Economic and Trade Agreement Between the United States of America and the People's Republic of China as a phase one trade deal, effective on February 14, 2020. Although the direct impact of the current international trade tension, and any escalation of such tension, on the holographic technology industry in China is uncertain, the negative impact on general, economic, political and social conditions may adversely impact our business, financial condition and results of operations.

Furthermore, as part of a continued regulatory focus in the United States on access to audit and other information currently protected by national law, in particular China's, on December 18, 2020, the former U.S. President Donald J. Trump signed the Holding Foreign Companies Accountable Act into law, which requires the SEC to propose rules within 90 days after its enactment to prohibit securities of any registrant from being listed on any of the U.S. securities exchanges or traded "over the counter" if the auditor of the registrant's financial statements is not subject to the PCAOB inspection for three consecutive years after the law becomes effective. The Holding Foreign Companies Accountable Act and any proposed SEC rules may have a material and adverse impact on the stock performance of China-based companies listed in the United States. In addition, the recent market panics over the global outbreak of COVID-19 materially and negatively affected the global financial markets in March 2020, which may cause potential slowdown of the global economy. Economic conditions in China are sensitive to global economic conditions, as well as changes in domestic economic and political policies and the expected or perceived overall economic growth rate in China. Any severe or prolonged slowdown in the global or Chinese economy and the political tensions between the United States and China may materially and adversely affect our business, financial condition, results of operations and prospects.

The recent joint statement by the SEC and the PCAOB, proposed rule changes submitted by Nasdaq, and the Holding Foreign Companies Accountable Act all call for additional and more stringent criteria to be applied to emerging market companies, including companies based in China, upon assessing the qualification of their auditors, especially the non-U.S. auditors who are not inspected by the PCAOB.

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

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

On May 20, 2020, the U.S. Senate passed the Holding Foreign Companies Accountable Act requiring a foreign company to certify it is not owned or controlled by a foreign government if the PCAOB is unable to audit specified reports because the company uses a foreign auditor not subject to the PCAOB inspection. If the PCAOB is unable to inspect the company’s auditors for three consecutive years, the issuer’s securities are prohibited to trade on a national exchange. On December 2, 2020, the U.S. House of Representatives approved the Holding Foreign Companies Accountable Act. On December 18, 2020, the Holding Foreign Companies Accountable Act was signed into law. On June 22, 2021, the U.S. Senate passed the Accelerating Holding Foreign Companies Accountable Act. The bill, if enacted, would shorten the three-consecutive-year compliance period under the HFCA Act to two consecutive years. As of March 24, 2021, the SEC adopted interim final amendments to implement congressionally mandated submission and disclosure requirements of the Holding Foreign Companies Accountable Act. On November 5, 2021, the SEC approved the PCAOB Rule 6100, which will establish a framework for the PCAOB’s determinations under the HFCA Act that the PCAOB is unable to inspect or investigate completely registered public accounting firms located in a foreign jurisdiction because of a position taken by an authority in that jurisdiction. On December 2, 2021, the SEC adopted final amendments implementing congressionally mandated submission and disclosure requirements of the Holding Foreign Companies Accountable Act.

The lack of access to the PCAOB inspection in China prevents the PCAOB from fully evaluating audits and quality control procedures of the auditors based in China. As a result, the investors may be deprived of the benefits of such PCAOB inspections. The inability of the PCAOB to conduct inspections of auditors in China makes it more difficult to evaluate the effectiveness of these accounting firms’ audit procedures or quality control procedures as compared to auditors outside of China that are subject to the PCAOB inspections.

Our auditor is registered with the PCAOB and is subject to laws in the United States pursuant to which the PCAOB conducts regular inspections to assess our auditor’s compliance with the applicable professional standards. Our auditor, Assenture PAC, is headquartered in Singapore. Therefore, our auditor is subject to the Determination announced by the PCAOB on December 16, 2021. Moreover, the PCAOB currently has access to inspect the audit workpapers of our PRC subsidiaries or any PRC-based subsidiary. Notwithstanding the foregoing, in the future, if there is any regulatory change or steps taken by the PRC regulators that do not permit Assenture PAC to provide audit documentation located in China or Hong Kong to the PCAOB for inspection or investigation, or the PCAOB expands the scope of the Determination so that we are subject to the HFCA Act, as the same may be amended, you may be deprived of the benefits of such inspection which could result in limitation or restriction to our access to the U.S. capital markets and trading of our securities, including trading on the national exchange and trading on “over-the-counter” markets, may be prohibited under the HFCA Act. However, in the event the PRC authorities would further strengthen regulations over auditing work of Chinese companies listed on the U.S. stock exchanges, which would prohibit our current auditor to perform work in China, then we would need to change our auditor and the audit workpapers prepared by our new auditor may not be inspected by the PCAOB without the approval of the PRC authorities, in which case the PCAOB may not be able to fully evaluate the audit or the auditors’ quality control procedures. Furthermore, due to the recent developments in connection with the implementation of the Holding Foreign Companies Accountable Act, we cannot assure you whether the SEC, Nasdaq or other regulatory authorities would apply additional and more stringent criteria to us after considering the effectiveness of our auditor’s audit procedures and quality control procedures, adequacy of personnel and training, or sufficiency of resources, geographic reach or experience as it relates to the audit of our financial statements. The requirement in the HFCA Act that the PCAOB be permitted to inspect the issuer’s public accounting firm within three years, may result in the delisting of us in the future if the PCAOB is unable to inspect our accounting firm at such future time.

Uncertainties in the promulgation, interpretation and enforcement of PRC laws and regulations could limit the legal protections available to you and us.

The PRC legal system is a civil law system based on written statutes. Unlike the common law system, prior court decisions under the civil law system may be cited for reference but have limited precedential value. Since these laws and regulations are relatively new and the PRC legal system continues to rapidly evolve, the promulgation of new rules and explanations and interpretations of many laws, regulations and rules are not always uniform and enforcement of these laws, regulations and rules involves uncertainties.

In 1979, 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 three decades has significantly enhanced the protections afforded to various forms of foreign investments in China. However, China has not developed a fully integrated legal system, and recently enacted laws and regulations may not sufficiently cover all aspects of economic activities in China. In particular, the interpretation and enforcement of these laws and regulations involve uncertainties. Specifically, rules and regulations in China can change quickly with little advance notice.

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. Furthermore, 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, could materially and adversely affect our business and impede our ability to continue our operations.

We may subject to a variety of laws and regulations in the PRC regarding privacy, data security, cybersecurity, and data protection.

We may subject to a variety of laws and regulations in the PRC regarding privacy, data security, cybersecurity, and data protection. These laws and regulations are continuously evolving and developing. The scope and interpretation of the laws that are or may be applicable to us are often uncertain and may be conflicting, particularly with respect to foreign laws. In particular, there are numerous laws and regulations regarding privacy and the collection, sharing, use, processing, disclosure, and protection of personal information and other user data. Such laws and regulations often vary in scope, may be subject to differing interpretations, and may be inconsistent among different jurisdictions.

We expect to obtain information about various aspects of our customers' and end users' operations as well as regarding our employees and third parties. We also maintain information about various aspects of our customers' operations as well as regarding our employees. The integrity and protection of our customers, employees and company data is critical to our business. Our customers and employees expect that we will adequately protect their personal information. We are required by applicable laws to keep strictly confidential the personal information that we collect, and to take adequate security measures to safeguard such information.

The PRC Criminal Law, as amended by its Amendment 7 (effective on February 28, 2009) and Amendment 9 (effective on November 1, 2015), prohibits institutions, companies and their employees from selling or otherwise illegally disclosing a citizen's personal information obtained during the course of performing duties or providing services or obtaining such information through theft or other illegal ways. On November 7, 2016, the Standing Committee of the PRC National People's Congress issued the Cyber Security Law of the PRC, or Cyber Security Law, which became effective on June 1, 2017.

Pursuant to the Cyber Security Law, network operators must not, without users' consent, collect their personal information, and may only collect users' personal information necessary to provide their services. Providers are also obliged to provide security maintenance for their products and services and shall comply with provisions regarding the protection of personal information as stipulated under the relevant laws and regulations.

The Civil Code of the PRC (issued by the PRC National People's Congress on May 28, 2020 and effective from January 1, 2021) provides main legal basis for privacy and personal information infringement claims under the Chinese civil laws. PRC regulators, including the Cyberspace Administration of China, MIIT, and the Ministry of Public Security have been increasingly focused on regulation in the areas of data security and data protection. The PRC regulatory requirements regarding cybersecurity are constantly evolving. For instance, various regulatory bodies in China, including the Cyberspace Administration of China, the Ministry of Public Security and the SAMR, have enforced data privacy and protection laws and regulations with varying and evolving standards and interpretations. In April 2020, the Chinese government promulgated Cybersecurity Review Measures, which came into effect on June 1, 2020. According to the Cybersecurity Review Measures, operators of critical information infrastructure must pass a cybersecurity review when purchasing network products and services which do or may affect national security.

In November 2016, the Standing Committee of China's National People's Congress passed China's first Cybersecurity Law ("CSL"), which became effective in June 2017. The CSL is the first PRC law that systematically lays out the regulatory requirements on cybersecurity and data protection, subjecting many previously under-regulated or unregulated activities in cyberspace to government scrutiny. The legal consequences of violation of the CSL include penalties of warning, confiscation of illegal income, suspension of related business, winding up for rectification, shutting down the websites, and revocation of business license or relevant permits. In April 2020, the Cyberspace Administration of China and certain other PRC regulatory authorities promulgated the Cybersecurity Review Measures, which became effective in June 2020. Pursuant to the Cybersecurity Review Measures, operators of critical information infrastructure must pass a cybersecurity review when purchasing network products and services which do or may affect national security. On July 10, 2021, the Cyberspace Administration of China issued a revised draft of the Measures for Cybersecurity Review for public comments ("Draft Measures"), which required that, in addition to "operator of critical information infrastructure," any "data processor" carrying out data processing activities that affect or may affect national security should also be subject to cybersecurity review, and further elaborated the factors to be considered when assessing the national security risks of the relevant activities, including, among others, (i) the risk of core data, important data or a large amount of personal information being stolen, leaked, destroyed, and illegally used or exited the country; and (ii) the risk of critical information infrastructure, core data, important data or a large amount of personal information being affected, controlled, or maliciously used by foreign governments after listing abroad. The Cyberspace Administration of China has said that under the proposed rules companies holding data on more than 1,000,000 users must now apply for cybersecurity approval when seeking listings in other nations because of the risk that such data and personal information could be "affected, controlled, and maliciously exploited by foreign governments." The cybersecurity review will also investigate the potential national security risks from overseas IPOs. We do not know what regulations will be adopted or how such regulations will affect us and our listing on Nasdaq. In the event that the Cyberspace Administration of China determines that we are subject to these regulations, we may be required to delist from Nasdaq and we may be subject to fines and penalties.

Recently, the Cyberspace Administration of China has taken action against several Chinese internet companies in connection with their initial public offerings on U.S. securities exchanges, for alleged national security risks and improper collection and use of the personal information of Chinese data subjects. According to the official announcement, the action was initiated based on the National Security Law, the Cyber Security Law and the Measures on Cybersecurity Review, which are aimed at "preventing national data security risks, maintaining national security and safeguarding public interests." On June 10, 2021, the Standing Committee of the NPC promulgated the PRC Data Security Law, which took effect on September 1, 2021. The Data Security Law also sets forth the data security protection obligations for entities and individuals handling personal data, including that no entity or individual may acquire such data by stealing or other illegal means, and the collection and use of such data should not exceed the necessary limits the costs of compliance with, and other burdens imposed by, CSL and any other cybersecurity and related laws may limit the use and adoption of our products and services and could have an adverse impact on our business.

The PRC Internet Information Office has issued the Measures for Cybersecurity Review (Revised Draft for Comments), pursuant to which it is unclear at the present time how widespread the cybersecurity review requirement and the enforcement action will be and what effect they will have on the hologram technology sector generally and we in particular. China's regulators may impose penalties for non-compliance ranging from fines or suspension of operations, and this could lead to our delisting from the U.S. stock market. Further, if the Measures for Cybersecurity Review to be enacted in the future will mandate clearance of cybersecurity review and other specific actions to be completed by companies like us, we face uncertainties as to whether such clearance can be timely obtained, or at all.

After the new PRC Data Security Law was enacted in September, we became not subject to the cybersecurity review by the CAC for this offering, given that: (i) our products and services are offered not directly to individual users but through our business customers; (ii) we do not possess a large amount of personal information in our business operations; and (iii) data processed in our business does not have a bearing on national security and thus may not be classified as core or important data by the authorities. However, there remains uncertainty as to how the Draft Measures will be interpreted or implemented and whether the PRC regulatory agencies, including the CAC, may adopt new laws, regulations, rules, or detailed implementation and interpretation related to the Draft Measures. If any such new laws, regulations, rules, or implementation and interpretation comes into effect, we will take all reasonable measures and actions to comply and to minimize the adverse effect of such laws on us.

As of the date of this Annual Report, we have not been informed by any relevant Chinese government authorities that we are identified as or considered a “critical information infrastructure operator” or “data processing operator.” We are also not aware of any requirement that we should file for a cybersecurity review, nor have we received any inquiry, notice, warning, sanction in such respect or any regulatory objections to this offering. However, in anticipation of the strengthened implementation of cybersecurity laws and regulations, there can be no assurance that we will not be deemed as a critical information infrastructure operator or data processing operator under the Chinese cybersecurity laws and regulations in the future, or that the draft measures will not be further amended or other laws or regulations will not be promulgated to subject us to the cybersecurity review or other compliance requirements. In such case, we may face challenges in addressing such enhanced regulatory requirements.

On August 20, 2021, the Standing Committee of the NPC approved the Personal Information Protection Law (“PIPL”), which became effective on November 1, 2021. The PIPL regulates collection of personal identifiable information and seeks to address the issue of algorithmic discrimination. Companies in violation of the PIPL may be subject to warnings and admonishments, forced corrections, confiscation of corresponding income, suspension of related services, and fines. We offer our holographic digital twin technology resource library services mainly to corporate clients and has limited interactions with individual end-users, which means our potential access or exposure to customers’ personal identifiable information is limited. However, in the event we inadvertently access or become exposed to customers’ personal identifiable information, through our holographic digital twin technology resource library services which access or store customer’ personal identifiable information, then we may face heightened exposure to the PIPL.

We cannot assure you that PRC regulatory agencies, including the CAC, would take the same view as we do, and there is no assurance that we can fully or timely comply with such laws. In the event that we are subject to any mandatory cybersecurity review and other specific actions required by the CAC, we face uncertainty as to whether any clearance or other required actions can be timely completed, or at all. Given such uncertainty, we may be further required to suspend our relevant business, shut down our website, or face other penalties, which could materially and adversely affect our business, financial condition, and results of operations.

If our equity ownership is challenged by the PRC authorities, it may have a significant adverse impact on our operating results and your investment value.

We are not an operating company, but a holding company incorporated in the Cayman Islands, and our business is carried out by our subsidiaries. The MOFCOM and NDRC, promulgated the Special Administrative Measures for the Access of Foreign Investment (Negative List) (2021 Version) (the “2021 Negative List”) on December 27, 2021, which became effective on January 1, 2022. The 2021 Negative List replaced the Special Administrative Measures for the Access of Foreign Investment (2020 Version) (the “2020 Negative List”) and serves as the main basis for management and guidance for the MOFCOM to manage and supervise foreign investments. Because those industries not set out on the 2021 Negative List shall be classified as industries permitted for foreign investment and none of our businesses are on the 2021 Negative List or the 2020 Negative List, the operations of us and our subsidiaries fall within the MOFCOM permitted activities and are not subject to restrictions to foreign investments or equity ownership. Therefore, we are able to conduct our business through our wholly owned PRC subsidiaries without being subject to the restrictions imposed by the foreign investment laws and regulations of the PRC. However, it is uncertain whether the relevant PRC government authority would reach the same assessment as us, that we operate solely in permitted industries, or whether such assessment will be changed in the future. If this assessment is questioned by the relevant PRC government authority, it may lead to a material adverse impact on our business operations and the value of your investment. Based on the opinions of our understanding of the current PRC law, our current organizational structure is effective and the ownership structure of the PRC subsidiaries complies with the current PRC law and will comply with the current PRC law immediately after the Merger. However, there is uncertainty as to this conclusion as we cannot assure you that relevant PRC governmental agencies would reach the same conclusion as we do. In the future, if our equity ownership of China’s operating subsidiaries is questioned by the PRC authorities, it will have a significant adverse impact on our operating results and the value of your investment. If foreign ownership is disallowed by the PRC government in the future, the ownership of our PRC-based subsidiaries may be rescinded, and your ordinary shares may end up worthless in value.

You may experience difficulties in effecting service of legal process, enforcing foreign judgments or bringing actions in China against us or our management based on foreign laws.

We are a company incorporated under the laws of the Cayman Islands, we conduct substantially all of our operations in China, and substantially all of our assets are located in China. In addition, all our senior executive officers reside within China for a significant portion of the time and most are PRC nationals. As a result, it may be difficult for our shareholders to effect service of process upon us or those persons inside China. In addition, China does not have treaties providing for the reciprocal recognition and enforcement of judgments of courts with the Cayman Islands and many other countries and regions. Therefore, recognition and enforcement in China of judgments of a court in any of these non-PRC jurisdictions in relation to any matter not subject to a binding arbitration provision may be difficult or impossible.

Shareholder claims that are common in the United States, including securities law class actions and fraud claims, generally are difficult to pursue as a matter of law or practicality in China. For example, in China, there are significant legal and other obstacles to obtaining information needed for shareholder investigations or litigation outside China or otherwise with respect to foreign entities. Although the local authorities in China may establish a regulatory cooperation mechanism with the securities regulatory authorities of another country or region to implement cross-border supervision and administration, such regulatory cooperation with the securities regulatory authorities in the United States have not been efficient in the absence of mutual and practical cooperation mechanism.

According to Article 177 of the PRC Securities Law, which became effective in March 2020, no overseas securities regulator is allowed to directly conduct investigation or evidence collection activities within the territory of the PRC. Accordingly, without the consent of the competent PRC securities regulators and relevant authorities, no organization or individual may provide the documents and materials relating to securities business activities to overseas parties. See also *“Risk Factors—Risk Factors Relating to an Investment in Our Ordinary Shares—You may face difficulties in protecting your interests, and your ability to protect your rights through U.S. courts may be limited, because we are incorporated under Cayman Islands law.”*

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

Under the PRC enterprise income tax law that became effective on January 1, 2008, an enterprise established outside the PRC with “*de facto* management bodies” within the PRC is considered a “resident enterprise” for PRC enterprise income tax purposes and is generally subject to a uniform 25% enterprise income tax rate on its worldwide income. On April 22, 2009, the State Administration of Taxation, or the SAT, issued the Notice Regarding the Determination of Chinese-Controlled Overseas Incorporated Enterprises as PRC Tax Resident Enterprise on the Basis of De Facto Management Bodies, or SAT Circular 82, which provides certain specific criteria for determining whether the “*de facto* management body” of a PRC-controlled enterprise that is incorporated offshore is located in China. Further to SAT Circular 82, on August 3, 2011, the SAT issued the Administrative Measures of Enterprise Income Tax of Chinese-Controlled Offshore Incorporated Resident Enterprises (Trial), or SAT Bulletin 45, which became effective on September 1, 2011, to provide more guidance on the implementation of SAT Circular 82.

According to SAT Circular 82, an offshore incorporated enterprise controlled by a PRC enterprise or a PRC enterprise group will be considered a PRC tax resident enterprise by virtue of having its “*de facto* management body” in China and will be subject to PRC enterprise income tax on its worldwide income only if all of the following conditions are met: (a) the senior management and core management departments in charge of its daily operations function have their presence mainly in the PRC; (b) its financial and human resources decisions are subject to determination or approval by persons or bodies in the PRC; (c) its major assets, accounting books, company seals, and minutes and files of its board and shareholders’ meetings are located or kept in the PRC; and (d) not less than half of the enterprise’s directors or senior management with voting rights habitually reside in the PRC. SAT Bulletin 45 further clarifies the resident status determination, post-determination administration as well as competent tax authorities.

Although SAT Circular 82 and SAT Bulletin 45 only apply to offshore incorporated enterprises controlled by PRC enterprises or PRC enterprise group instead of those controlled by PRC individuals or foreigners, the determination criteria set forth therein may reflect SAT’s general position on how the term “*de facto* management body” could be applied in determining the tax resident status of offshore enterprises, regardless of whether they are controlled by PRC enterprises, individuals or foreigners.

We believe that none of our entities outside of China is a PRC resident enterprise for PRC tax purposes even if the standards for “*de facto* management body” prescribed in the SAT Circular 82 are applicable to us. 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.” If the PRC tax authorities determine that we or any of our subsidiaries outside of China is a PRC resident enterprise for enterprise income tax purposes, we may be subject to PRC enterprise income on our worldwide income at the rate of 25%, which could materially reduce our net income. In addition, we will also be subject to PRC enterprise income tax reporting obligations.

Although dividends paid by one PRC tax resident to another PRC tax resident should qualify as “tax-exempt income” under the enterprise income tax law, we cannot assure you that dividends by our PRC subsidiaries to our Cayman Islands holding company will not be subject to a 10% withholding tax, as the PRC foreign exchange control authorities, which enforce the withholding tax on dividends, and the PRC tax authorities have not yet issued guidance with respect to the processing of outbound remittances to entities that are treated as resident enterprises for PRC enterprise income tax purposes.

Non-PRC resident holders of our ordinary shares may also be subject to PRC withholding tax on dividends paid by us and PRC tax on gains realized on the sale or other disposition of ordinary shares, if such income is sourced from within the PRC. The tax would be imposed at the rate of 10% in the case of non-PRC resident enterprise holders and 20% in the case of non-PRC resident individual holders. In the case of dividends, we would be required to withhold the tax at source. Any PRC tax liability may be reduced under applicable tax treaties or similar arrangements. Although our holding company is incorporated in the Cayman Islands, it remains unclear whether dividends received and gains realized by our non-PRC resident holders of our ordinary shares will be regarded as income from sources within the PRC if we are classified as a PRC resident enterprise. Any such tax will reduce the returns on your investment in our ordinary shares.

We cannot assure you that the PRC tax authorities will not, at their discretion, adjust any capital gains and impose tax return filing and withholding or tax payment obligations with respect to any internal restructuring, and our PRC subsidiaries may be requested to assist in the filing. Any PRC tax imposed on a transfer of our shares not through a public stock exchange, or any adjustment of such gains would cause us to incur additional costs and may have a negative impact on the value of your investment in us.

We may not be able to obtain certain benefits under relevant tax treaties on dividends paid by our PRC subsidiaries to us through our Hong Kong subsidiaries.

We are an exempted company with limited liability, used as holding company, incorporated under the laws of the Cayman Islands and as such relies on dividends and other distributions on equity from our PRC subsidiaries, as paid to us through our Hong Kong subsidiaries, to satisfy part of our liquidity requirements. Pursuant to the PRC Enterprise Income Tax Law, a withholding tax rate of 10% currently applies to dividends paid by a PRC “resident enterprise” to a foreign enterprise investor, unless any such foreign investor’s jurisdiction of incorporation has a tax treaty with China that provides for preferential tax treatment. Pursuant to the Arrangement between the Mainland China and the Hong Kong Special Administrative Region for the Avoidance of Double Taxation and Tax Evasion on Income, or the Double Tax Avoidance Arrangement, and Circular 81 issued by the State Administration of Taxation, such withholding tax rate may be lowered to 5% if the PRC enterprise is at least 25% held by a Hong Kong enterprise throughout the 12 months prior to distribution of the dividends and is determined by the relevant PRC tax authority to have satisfied other requirements. Furthermore, under the Administrative Measures for Non-Resident Enterprises to Enjoy Treatments under Tax Treaties, which became effective in August 2015, the non-resident enterprises shall determine whether they are qualified for preferential tax treatment under the tax treaties and file relevant reports and materials with the tax authorities. There are also other conditions for benefiting from the reduced withholding tax rate according to other relevant tax rules and regulations. We cannot assure you that our determination regarding our Hong Kong subsidiaries’ qualification to benefit from the preferential tax treatment will not be challenged by the relevant PRC tax authority or that we will be able to complete the necessary filings with the relevant PRC tax authority and benefit from the preferential withholding tax rate of 5% under the Double Taxation Avoidance Arrangement with respect to dividends to be paid by our PRC subsidiaries to our Hong Kong subsidiaries.

Our PRC subsidiaries may face uncertainties relating to special preferential income tax rate in connection with PRC high and new technology enterprise and tax exempt status.

Three of our subsidiaries, Shanghai Mengyun Shenzhen Mengyun and Shenzhen Bowei have received the High and New Technology Enterprise Certification. Shanghai Mengyun obtained the “high-tech enterprise” tax status in October 2017 and further renewed in December 2020, which reduced its statutory income tax rate to 15% from January 2017 to December 2023. Shenzhen Mengyun obtained the “high-tech enterprise” tax status in November 2018 and further renewed in December 2021, which reduced its statutory income tax rate to 15% from January 2018 to December 2024. Shenzhen Bowei obtained the “high-tech enterprise” tax status in December 2021, which reduced its statutory income tax rate to 15% from December 2021 to December 2024. Under PRC laws, Shanghai Mengyun Shenzhen Mengyun and Shenzhen Bowei shall satisfy all the conditions stipulated under the Administrative Measures for Recognition of High and New Technology Enterprises and relevant guidance, including relevant financial, research and development thresholds, manufacturing and otherwise requirements during the three-year period. We cannot assure that Shanghai Mengyun Shenzhen Mengyun and Shenzhen Bowei may maintain the High and New Technology Enterprise Certification during the next three-year period and such preferential income tax treatment could be revoked if Shanghai Mengyun Shenzhen Mengyun and Shenzhen Bowei are deemed unqualified to receive such tax benefits. There is also no guarantee that Shanghai Mengyun Shenzhen Mengyun and Shenzhen Bowei will receive a new High and New Technology Enterprise Certification upon expiration of the three-year preferential treatment period. Accordingly, our financial condition and operation may be adversely affected due to such changes.

Besides, certain of our subsidiaries, Horgos Weiyi, Horgos Youshi, Horgos Bowei and Horgos Tianyuemeng were formed and registered in Horgos in Xinjiang Province, China from 2016 to 2020, and Kashgar Youshi was formed and registered in Kashgar in Xinjiang Province, China in 2016. These companies are not subject to income tax for 5 years and can obtain another two years of tax exempt status and three years at reduced income tax rate of 12.5% after the 5 years due to the local tax policies to attract companies in various industries. However, there is a possibility that the local tax bureaus may change their policy and these subsidiaries may be subject to PRC income tax going forward.

Moreover, the Ministry of Finance (“MOF”) and State Administration of Taxation (“SAT”) on January 17, 2019 jointly issued Cai Shui 2019 No. 13. This clarified that from January 1, 2019 to December 31, 2021, eligible small enterprises whose RMB 1,000,000 of annual taxable income is eligible for a 75% reduction on a rate of 20% (i.e., effective rate is 5%) and the income between RMB 1,000,000 and RMB 3,000,000 is eligible for 50% reduction on a rate of 20% (i.e., effective rate is 10%). On April 2, 2021, MOF and SAT further jointly issued Cai Shui 2021 No. 12, which clarified that from January 1, 2022 to December 31, 2022, eligible small enterprises whose RMB 1,000,000 of annual taxable income is eligible for an extra 50% reduction base on Cai Shui 2019 No. 13 (i.e., effective rate is 2.5%). On March 14, 2022, MOF and SAT further jointly issued Cai Shui 2022 No. 13, which clarified that from January 1, 2022 to December 31, 2022, eligible small enterprises whose income between RMB 1,000,000 and RMB 3,000,000 is eligible for an extra 50% reduction base on Cai Shui 2019 No. 13 (i.e., effective rate is 5%). For the years ended December 30, 2021 and 2022, Shenzhen Tianyuemeng and Shenzhen Yunao were eligible to employ this policy.

To the extent that we are unable to obtain similar above preferential rates in the future such that our current effective tax rate is not indicative of future results. As a result, the tax laws in the countries in which we and our affiliates do business could change on a prospective or retroactive basis, and any such changes could adversely affect us and our affiliates.

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

We face uncertainties regarding the reporting on and consequences of previous private equity financing transactions involving the transfer and exchange of shares in us by non-resident investors. In February 2015, the SAT issued the Bulletin on Issues of Enterprise Income Tax on Indirect Transfers of Assets by Non-PRC Resident Enterprises, or SAT Bulletin 7, as amended in 2017. Pursuant to this bulletin, an “indirect transfer” of assets, including equity interests in a PRC resident enterprise, by non-PRC resident enterprises may be re-characterized 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. According to SAT Bulletin 7, “PRC taxable assets” include assets attributed to an establishment in China, immovable properties located in China, and equity investments in PRC resident enterprises, in respect of which gains from their transfer by a direct holder, being a non-PRC resident enterprise, would be subject to PRC enterprise income taxes. When determining whether there is a “reasonable commercial purpose” of the transaction arrangement, features to be taken into consideration include: whether the main value of the equity interest of the relevant offshore enterprise derives from PRC taxable assets; whether the assets of the relevant offshore enterprise mainly consist of direct or indirect investment in China or if its income mainly derives from China; whether the offshore enterprise and its subsidiaries directly or indirectly holding PRC taxable assets have real commercial nature which is evidenced by their actual function and risk exposure; the duration of existence of the business model and organizational structure; the replicability of the transaction by direct transfer of PRC taxable assets; and the tax situation of such indirect transfer and applicable tax treaties or similar arrangements. In respect of an indirect offshore transfer of assets of a PRC establishment, the resulting gain is to be included with the enterprise income tax filing of the PRC establishment or place of business being transferred, and would consequently be subject to PRC enterprise income tax at a rate of 25%. Where the underlying transfer relates to the immovable properties located in China or to equity investments in a PRC resident enterprise, which is not related to a PRC establishment or place of business of a non-resident enterprise, a PRC enterprise income tax of 10% would apply, subject to available preferential tax treatment under applicable tax treaties or similar arrangements, and the party who is obligated to make the transfer payments has the withholding obligation. SAT Bulletin 7 does not apply to transactions of sale of shares by investors through a public stock exchange where such shares were acquired from a transaction through a public stock exchange.

There is uncertainty as to the application of SAT Bulletin 7. We face uncertainties as to the reporting and other implications of certain past and future transactions where PRC taxable assets are involved, such as offshore restructuring, sale of the shares in our offshore subsidiaries or investments. We may be subject to filing obligations or taxed if we are transferor in such transactions, and may be subject to withholding obligations if we are transferee in such transactions under SAT Bulletin 7. For transfer of shares in us by investors that are non-PRC resident enterprises, our PRC subsidiaries may be requested to assist in the filing under SAT Bulletin 7. As a result, we may be required to expend valuable resources to comply with SAT Bulletin 7 or to request the relevant transferors from whom we purchase taxable assets to comply with these circulars, or to establish that we should not be taxed under these circulars, which may have a material adverse effect on our financial condition and results of operations.

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

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

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

Pursuant to the labor contract law that took effect in January 2008, its implementation rules that took effect in September 2008 and its amendment that took effect in July 2013, employers are subject to stricter requirements in terms of signing labor contracts, minimum wages, paying remuneration, determining the term of employees' probation and unilaterally terminating labor contracts. Due to lack of detailed interpretative rules and uniform implementation practices and broad discretion of the local competent authorities, it is uncertain as to how the labor contract law and its implementation rules will affect our current employment policies and practices. Our employment policies and practices may violate the labor contract law or its implementation rules, and we may thus be subject to related penalties, fines or legal fees. Compliance with the labor contract law and its implementation rules may increase our operating expenses, in particular our personnel expenses. In the event that we decide to terminate some of our employees or otherwise changes our employment or labor practices, the labor contract law and its implementation rules may also limit our ability to effect those changes in a desirable or cost-effective manner, which could adversely affect our business and results of operations. According to the Social Insurance Law and the Regulations on the Management of Housing Fund, employees must participate in pension insurance, work-related injury insurance, medical insurance, unemployment insurance and maternity insurance and housing funds, and the employers must, together with their employees or separately, pay the social insurance premiums and housing funds for such employees.

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

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

The M&A Rules and certain other PRC regulations may make it more difficult for us to pursue growth through acquisitions.

The Regulations on Mergers and Acquisitions of Domestic Companies by Foreign Investors, or the M&A Rules, adopted by six PRC regulatory agencies in 2006 and amended in 2009, and some other regulations and rules concerning mergers and acquisitions established complex procedures and requirements for acquisition of Chinese companies by foreign investors, including requirements in some instances that the Ministry of Commerce of the PRC 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 promulgated by the Standing Committee of the National People's Congress, which became effective in 2008, requires that transactions which are deemed concentrations and involve parties with specified turnover thresholds must be cleared by the Ministry of Commerce before they can be completed. In addition, the security review rules issued by the Ministry of Commerce and 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 acquire *de facto* control over domestic enterprises that raise "national security" concerns are subject to strict review by the Ministry of Commerce, and the rules prohibit any activities attempting to bypass a security review, including by structuring the transaction through a proxy or contractual control arrangement.

In the future, we may pursue potential strategic acquisitions that are complementary to our business and operations. Complying with the requirements of the above-mentioned regulations and other rules to complete such transactions could be time-consuming, and any required approval processes, including obtaining approval or clearance from the Ministry of Commerce, may delay or inhibit our ability to complete such transactions, which could affect our ability to expand our business or maintain our market share. Furthermore, according to the M&A Rules, if a PRC entity or individual plans to merger or acquire its related PRC entity through an overseas company legitimately incorporated or controlled by such entity or individual, such a merger and acquisition will be subject to examination and approval by the Ministry of Commerce. The application and interpretations of M&A Rules are still uncertain, and there is possibility that the PRC regulators may promulgate new rules or explanations requiring that we obtain approval of the Ministry of Commerce for our completed or ongoing mergers and acquisitions. There is no assurance that we can obtain such approval from the Ministry of Commerce for our mergers and acquisitions, and if we fail to obtain those approvals, we may be required to suspend the acquisition and be subject to penalties. Any uncertainties regarding such approval requirements could have a material adverse effect on our business, results of operations and corporate structure.

The approval of the China Securities Regulatory Commission may be required in connection with our offerings under a regulation adopted in August 2006, and, if required, we cannot assure you that we will be able to obtain such approval.

The Regulations on Mergers and Acquisitions of Domestic Companies by Foreign Investors, or the M&A Rules, adopted by six PRC regulatory agencies in 2006 and amended in 2009, requires an overseas special purpose vehicle formed for listing purposes through acquisitions of PRC domestic companies and controlled by PRC companies or individuals to obtain the approval of the China Securities Regulatory Commission, or the CSRC, prior to the listing and trading of such special purpose vehicle's securities on an overseas stock exchange. In September 2006, the CSRC published a notice on its official website specifying documents and materials required to be submitted to it by a special purpose vehicle seeking CSRC approval of its overseas listings. However, substantial uncertainty remains regarding the scope and applicability of the M&A Rules to offshore special purpose vehicles. Currently, there is no consensus among leading PRC law firms regarding the scope and applicability of the CSRC approval requirement.

Based on our understanding of the current PRC law, we reasonably believe that rules and regulations that the CSRC's approval is not required for the trading of our ordinary shares on Nasdaq, given that:

- we are not a special purpose vehicle formed for listing purpose through acquisition of domestic companies that are controlled by our PRC individual shareholders, as we hold equity interests in our subsidiaries in the PRC; and

- the Circular of the General Office of the State Council on the Establishment of Security Review System for the Merger and Acquisition of Domestic Enterprises by Foreign Investors that became effective in March 2011, and the Rules on Implementation of Security Review System for the Merger and Acquisition of Domestic Enterprises by Foreign Investors issued by the Ministry of Commerce 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 acquire *de facto* control over domestic enterprises that raise “national security” concerns are subject to strict review by the Ministry of Commerce (MOFCOM) of the PRC, and the rules prohibit any activities attempting to bypass a security review, including by structuring the transaction through a proxy or contractual control arrangement.

Furthermore, the M&A Rules purport to require that an offshore special purpose vehicle controlled directly or indirectly by PRC domestic companies or individuals and formed for purposes of overseas listing through the acquisition of PRC domestic interests obtain the approval of the CSRC prior to the trading of such special purpose vehicle’s securities on an overseas stock exchange. The CSRC has not issued any definitive rules or interpretations concerning whether offerings such as this offering are subject to the CSRC approval procedures under the M&A Rules. We are not required to obtain approval from the CSRC under the M&A Rules for trading of our securities, but uncertainties still exist as to how the M&A Rules will be interpreted and implemented and the opinion stated above is subject to any new laws, rules and regulations or detailed implementations and interpretations in any form relating to the M&A Rules.

We cannot assure you that relevant PRC governmental agencies, including the CSRC, would reach the same conclusion as we do. If it is determined that CSRC approval is required for this and offering, we may face sanctions by the CSRC or other PRC regulatory agencies for failure to seek CSRC approval for this offering. These sanctions may include fines and penalties on our operations in the PRC, limitations on our operating privileges in the PRC, delays in or restrictions on the repatriation of the proceeds from this offering into the PRC, restrictions on or prohibition of the payments or remittance of dividends by our PRC Entities, or other actions that could have a material and adverse effect on our business, financial condition, results of operations, reputation and prospects, as well as the trading price of our ordinary shares. The CSRC or other PRC regulatory agencies may also take actions requiring us, or making it advisable for us, to halt this offering before the settlement and delivery of the ordinary shares that we are offering. Consequently, if you engage in market trading or other activities in anticipation of and prior to the settlement and delivery of the ordinary shares we are offering, you would be doing so at the risk that the settlement and delivery may not occur.

PRC regulations relating to offshore investment activities by PRC residents may limit our PRC subsidiaries’ ability to increase their registered capital or distribute profits to us or otherwise expose us to liability and penalties under PRC law.

The State Administration of Foreign Exchange (“SAFE”) promulgated the Circular on Relevant Issues Relating to PRC Resident’s Investment and Financing and Roundtrip Investment through Special Purpose Vehicles, or SAFE Circular 37, in July 2014 that requires PRC residents or entities to register with SAFE or its local branch in connection with their establishment or control of an offshore entity established for the purpose of overseas investment or financing. In addition, such PRC residents or entities must update their SAFE registrations when the offshore special purpose vehicle undergoes material events relating to any change of basic information (including change of such PRC residents or entities, name and operation term), increases or decreases in investment amount, transfers or exchanges of shares, or mergers or divisions.

SAFE Circular 37 is issued to replace the Circular on Relevant Issues Concerning Foreign Exchange Administration for PRC Residents Engaging in Financing and Roundtrip Investments through Overseas Special Purpose Vehicles. If our shareholders who are PRC residents or entities do not complete their registration with the local SAFE branches, our PRC subsidiaries may be prohibited from distributing their profits and proceeds from any reduction in capital, share transfer or liquidation to us, and we may be restricted in our ability to contribute additional capital to our PRC subsidiaries. Moreover, failure to comply with SAFE registration described above could result in liability under PRC laws for evasion of applicable foreign exchange restrictions.

However, we may not be informed of the identities of all the PRC residents or entities holding direct or indirect interest of us, nor can we compel our shareholders to comply with the requirements of SAFE Circular 37. Although our shareholders who are PRC residents or entities have complied with SAFE Circular 37, we cannot assure you that all of our shareholders who are PRC residents or entities will in the future make or obtain any applicable registrations or approvals required by, SAFE Circular 37. Failure by such shareholders to comply with SAFE Circular 37, or failure by us to amend the foreign exchange registrations of our PRC subsidiaries, could subject us to fines or legal sanctions, restrict our overseas or cross-border investment activities, limit our PRC subsidiaries' ability to make distributions or pay dividends to us or affect our ownership structure, which could adversely affect our business and prospects.

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

Any transfer of funds by us to our PRC subsidiaries, either as a shareholder loan or as an increase in registered capital, is subject to approval by or registration or filing 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 Ministry of Commerce in its local branches and registration with a local bank authorized by SAFE. In addition, (i) any foreign loan procured by our PRC subsidiaries is required to be registered with SAFE or its local branches or filed with SAFE in its information system; and (ii) our PRC subsidiaries may not procure loans which exceed the difference between their total investment amount and registered capital or, as an alternative, only procure loans subject to the calculation approach and limitation as provided in the People's Bank of China Notice No. 9 ("PBOC Notice No. 9"). Any medium- or long-term loan to be provided by us to our PRC-based subsidiaries must be registered with the National Development and Reform Commission and SAFE or its local branches. We may not be able to obtain these government approvals or complete such registrations on a timely basis, if at all, with respect to future capital contributions or foreign loans by us to our PRC subsidiaries. If we fail to receive such approvals or complete such registration or filing, our ability to use the proceeds we receive from our offshore financing activities and to capitalize our PRC operations may be negatively affected, which could adversely affect our liquidity and ability to fund and expand our business. There is, in effect, no statutory limit on the amount of capital contribution that we can make to our PRC subsidiaries. This is because there is no statutory limit on the amount of registered capital for our PRC subsidiaries, and we are allowed to make capital contributions to our PRC subsidiaries by subscribing for their initial registered capital and increased registered capital, provided that the PRC subsidiaries complete the relevant filing and registration procedures.

With respect to loans to our PRC subsidiaries by us, (i) if the PRC subsidiaries adopt the traditional foreign exchange administration mechanism, or the Current Foreign Debt Mechanism, the outstanding amount of the loans shall not exceed the difference between the total investment and the registered capital of the PRC subsidiaries; and (ii) if the PRC subsidiaries adopt the foreign exchange administration mechanism as provided in Notice of the People's Bank of China on Matters concerning the Macro-Prudential Management of Full-Covered Cross-Border Financing, or the PBOC Notice No. 9, the risk-weighted outstanding amount of the loans, which shall be calculated based on the formula provided in PBOC Notice No. 9, shall not exceed 200% of the net asset of the PRC subsidiaries. According to the PBOC Notice No. 9, after a transition period of one year since the promulgation of PBOC Notice No. 9, the PBOC and SAFE will determine the cross-border financing administration mechanism for the foreign-invested enterprises after evaluating the overall implementation of PBOC Notice No. 9. It is uncertain which mechanism will be adopted by the PBOC and SAFE in the future and what statutory limits will be imposed on us when providing loans to our PRC subsidiaries. Currently, our PRC subsidiaries have the flexibility to choose between the Current Foreign Debt Mechanism and the Notice No. 9 Foreign Debt Mechanism. However, if a more stringent foreign debt mechanism becomes mandatory, our ability to provide loans to our PRC subsidiaries or our consolidated affiliated entities may be significantly limited, which may adversely affect our business, financial condition, and results of operations.

The Circular on Reforming the Administration of Foreign Exchange Settlement of Capital of Foreign-Invested Enterprises, or SAFE Circular 19, effective as of June 1, 2015, as amended by Circular of the State Administration of Foreign Exchange on Reforming and Regulating Policies on the Control over Foreign Exchange Settlement under the Capital Account, or SAFE Circular 16, effective on June 9, 2016, allows FIEs to settle their foreign exchange capital at their discretion, but continues to prohibit FIEs from using the Renminbi fund converted from their foreign exchange capitals for expenditure beyond their business scopes, and also prohibit FIEs from using such Renminbi fund to provide loans to persons other than affiliates unless otherwise permitted under our business scope. As a result, we are required to apply Renminbi funds converted from the net proceeds we received from our offshore financing activities within the business scopes of our PRC subsidiaries. SAFE Circular 19 and SAFE Circular 16 may significantly limit our ability to use Renminbi converted from the net proceeds from our offshore financing activities to fund the establishment of new entities in China by our PRC subsidiaries, to invest in or acquire any other PRC companies through our PRC subsidiaries, or to establish new consolidated subsidiary in China, which may adversely affect our business, financial condition, and results of operations.

Our PRC subsidiaries are subject to restrictions on paying dividends or making other payments to us, which may restrict our ability to satisfy liquidity requirements, conduct business and pay dividends to holders of our ordinary shares.

We are a holding company incorporated in the Cayman Islands. We rely on dividends from our PRC subsidiaries, such as the funds necessary to pay dividends and other cash distributions to our shareholders, including holders of our ordinary shares, and service any debt we may incur. Current PRC regulations permit our PRC subsidiaries to pay dividends to us only out of their accumulated after-tax profits upon satisfaction of relevant statutory condition and procedures, if any, determined in accordance with Chinese accounting standards and regulations. In addition, our PRC subsidiaries are required to set aside at least 10% of their accumulated profits each year, if any, to fund certain reserve funds until the total amount set aside reaches 50% of our registered capital. Furthermore, if our PRC subsidiaries incur debt on their own behalf in the future, the instruments governing the debt may restrict their ability to pay dividends or make other payments to us, which may restrict our ability to satisfy our liquidity requirements.

In addition, the Enterprise Income Tax Law of the PRC, or the PRC EIT Law, and its implementation rules provide that withholding tax rate of 10% will be applicable to dividends payable by Chinese companies to non-PRC-resident enterprises unless otherwise exempted or reduced according to treaties or arrangements between the PRC central government and governments of other countries or regions where the non-PRC-resident enterprises are incorporated.

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

The value of the Renminbi against the U.S. dollar and other currencies is affected by changes in China's political and economic conditions and China's foreign exchange policies, among other things. In 2005, the PRC government changed its decades-old policy of pegging the value of the Renminbi to the U.S. dollar, and the Renminbi appreciated more than 20% against the U.S. dollar over the following three years. Between July 2008 and June 2010, this appreciation halted and the exchange rate between Renminbi and the U.S. dollar remained within a narrow band. Since June 2010, Renminbi has fluctuated against the U.S. dollar, at times significantly and unpredictably. With the development of the foreign exchange market and progress towards interest rate liberalization and Renminbi internationalization, the PRC government may in the future announce further changes to the exchange rate system and we cannot assure you that Renminbi will not appreciate or depreciate significantly in value against the U.S. dollar in the future. It is difficult to predict how market forces or PRC or U.S. government policy may impact the exchange rate between Renminbi and the U.S. dollar in the future.

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

The PRC government imposes controls on the convertibility of the Renminbi into foreign currencies and, in certain cases, the remittance of currency out of China. We receive substantially all of our revenues in Renminbi. Under our current corporate structure, our Cayman Islands holding company may rely on dividend payments 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, including profit distributions, interest payments and trade and service-related foreign exchange transactions, can be made in foreign currencies without prior approval of SAFE by complying with certain procedural requirements. Specifically, under the existing exchange restrictions, without prior approval of SAFE, cash generated from the operations of our PRC subsidiaries in China may be used to pay dividends to us. However, approval from or registration with appropriate government authorities is required where Renminbi is to be converted into foreign currency and remitted out of China to pay capital expenses such as the repayment of loans denominated in foreign currencies. As a result, we need to obtain SAFE approval to use cash generated from the operations of our PRC subsidiaries and consolidated affiliated entities to pay off their respective debt in a currency other than Renminbi owed to entities outside China, or to make other capital expenditure payments outside China in a currency other than Renminbi.

In light of the flood of capital outflows of China in 2016 due to the weakening Renminbi, the PRC government has imposed more restrictive foreign exchange policies and stepped-up scrutiny of major outbound capital movement including overseas direct investment. More restrictions and substantial vetting process are put in place by SAFE to regulate cross-border transactions falling under the capital account. If any of our shareholders regulated by such policies fail to satisfy the applicable overseas direct investment filing or approval requirement timely or at all, we may be subject to penalties from the relevant PRC authorities. The PRC government may at its discretion further restrict access in the future to foreign currencies 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.

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

Pursuant to SAFE Circular 37, PRC residents who participate in share incentive plans in overseas non-publicly-listed companies may submit applications to SAFE or its local branches for the foreign exchange registration with respect to offshore special purpose companies. In the meantime, our directors, executive officers and other employees who are PRC citizens or who are non-PRC residents residing in the PRC for a continuous period of not less than one year, subject to limited exceptions, and who have been granted incentive share awards by us, may follow the Notices on Issues Concerning the Foreign Exchange Administration for Domestic Individuals Participating in Stock Incentive Plan of Overseas Publicly-Listed Company, or 2012 SAFE notices, promulgated by the SAFE in 2012. Pursuant to the 2012 SAFE notices, PRC citizens and non-PRC citizens who reside in China for a continuous period of not less than one year who participate in any stock incentive plan of an overseas publicly listed company, subject to a few exceptions, are required to register with SAFE through a domestic qualified agent, which could be the PRC subsidiaries of such overseas listed company, and complete certain other procedures. In addition, an overseas entrusted institution must be retained to handle matters in connection with the exercise or sale of stock options and the purchase or sale of shares and interests. our executive officers and other employees who are PRC citizens or who reside in the PRC for a continuous period of not less than one year and who have been granted options are subject to these regulations. Failure to complete the SAFE registrations may subject them to fines, and legal sanctions and may also limit our ability to contribute additional capital into our PRC subsidiaries and limit our PRC subsidiaries' ability to distribute dividends to us. We also face regulatory uncertainties that could restrict our ability to adopt additional incentive plans for our directors, executive officers, and employees under PRC law.

The SAT has issued certain circulars concerning employee share options and restricted shares. Under these circulars, our employees working in China who exercise share options or are granted restricted shares will be subject to PRC individual income tax. Our PRC subsidiaries have obligations to file documents related to employee share options or restricted shares with relevant tax authorities and to withhold individual income taxes of those employees who exercise their share options. If our employees fail to pay or we fail to withhold their income taxes according to relevant laws and regulations, we may face sanctions imposed by the tax authorities or other PRC governmental authorities.

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

According to the PRC Land Administration Law, land in urban districts is owned by the state. The owner of a property built on state-owned land must possess the proper land and property title certificate to demonstrate that it is the owner of the premises and that it has the right to enter into lease contracts with the tenants or to authorize a third party to sublease the premises. Some of the landlords of our leased locations have failed to provide the title certificates to us. Our rights to lease the premises may be interrupted or adversely affected if our landlords are not the property owners and the actual property owners should appear.

In addition, the title certificate usually records the approved use of the state-owned land by the government and the property owner is obligated to follow the approved use requirement when making use of the property. In the case of failure to utilize the property in accordance with the approved use, the land administration authorities may order the tenant to cease utilizing the premises or even invalidate the contract between the landlord and the tenant. If our use of the leased premises is not in full compliance with the approved use of the land, we may be unable to continue to use the property, which may cause disruption to our business.

The PRC government exerts substantial influence over the manner in which we and our PRC subsidiaries must conduct our business activities. We are currently not required to obtain approval from Chinese authorities to list on U.S. exchanges, however, if we or our PRC subsidiaries were required to obtain approval in the future and were denied permission from Chinese authorities to list on U.S. exchanges, we will not be able to continue listing on U.S. exchange, which would materially affect the interest of the investors.

The PRC government has exercised and continues to exercise substantial control over virtually every sector of the Chinese economy through regulation and state ownership. our ability to operate in China may be harmed by changes in its laws and regulations, including those relating to taxation, environmental regulations, land use rights, property and other matters. The central data security, anti-monopoly policies or local PRC governments may impose new, stricter regulations or interpretations of existing regulations that would require additional expenditures and efforts on our part to ensure our compliance with such regulations or interpretations. Accordingly, government actions in the future, including any decision not to continue to support recent economic reforms and to return to a more centrally planned economy or regional or local variations in the implementation of economic policies, could have a significant effect on economic conditions in the PRC or particular regions thereof, and could require us to divest itself of any interest we then hold in Chinese properties.

The PRC government has recently published new policies that significantly affected certain industries such as the education and internet industries, and we cannot rule out the possibility that it will in the future release regulations or policies regarding our industry that could require us to seek permission from PRC authorities to continue to operate our business, which may adversely affect our business, financial condition and results of operations. Furthermore, recent statements made by the PRC government have indicated an intent to increase the government's oversight and control over offerings of companies with significant operations in China that are to be conducted in foreign markets, as well as foreign investment in China-based companies like us. Any such action, once taken by the PRC government, could significantly limit or completely hinder our ability to offer or continue to offer ordinary shares to the investors, and could cause the value of our shares to significantly decline or become worthless.

For example, the Chinese cybersecurity regulator announced on July 2, 2021 that it had begun an investigation of Didi Global Inc. (NYSE: DIDI) and two days later ordered that the company's app be removed from smartphone app stores.

Additionally, on July 6, 2021, the General Office of the Central Committee of the Communist Party of China and the General Office of the State Council jointly issued the Opinions on Strictly Cracking Down on Illegal Securities Activities, or the Opinions, which emphasized the need to strengthen administration over illegal securities activities and supervision of overseas listings by China-based companies. The Opinions proposed promoting regulatory systems to deal with risks facing China-based overseas-listed companies, and provided that the State Council will revise provisions regarding the overseas issuance and listing of shares by companies limited by shares and will clarify the duties of domestic regulatory authorities. However, the Opinions did not provide detailed rules and regulations. As a result, uncertainties remain regarding the interpretation and implementation of the Opinions.

As such, we and our PRC subsidiaries' business segments may be subject to various government and regulatory interference in the provinces in which they operate. We and our PRC subsidiaries could be subject to regulation by various political and regulatory entities, including various local and municipal agencies and government sub-divisions. We and our PRC subsidiaries may incur increased costs necessary to comply with existing and newly adopted laws and regulations or penalties for any failure to comply.

Furthermore, it is uncertain when and whether we will be required to obtain permission from the PRC government to list on U.S. exchanges in the future, and even when such permission is obtained, whether it will be denied or rescinded. Although we are currently not required to obtain permission from any of the PRC federal or local government to obtain such permission and has not received any denial to list on the U.S. exchange, our operations could be adversely affected, directly or indirectly, by existing or future laws and regulations relating to our business or industry.

Given the PRC government's significant oversight and discretion over the conduct of our business, the PRC government may intervene or influence our operations at any time, which could result in a material change in our operations and/or the value of our ordinary shares. Also, given recent statements by the PRC government indicating an intent to exert more oversight and control over offerings that are conducted overseas and/or foreign investment in China-based issuers, that any such action could significantly limit or completely hinder our ability to offer or continue to offer securities to investors and cause the value of such securities to significantly decline or be worthless.

Risk Factors Relating to an Investment in Our Ordinary Shares

We are a Cayman Islands company and, because judicial precedent regarding the rights of shareholders is more limited under Cayman Islands law than under U.S. law, you may have less protection for your shareholder rights than you would under U.S. law.

Our corporate affairs are governed by our memorandum and articles of association as amended and restated from time to time, the Companies Act and the common law of the Cayman Islands. The rights of shareholders to take action against the directors, actions by minority shareholders and the fiduciary duties of our directors to us under Cayman Islands law are 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 that 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 duties of our directors under Cayman Islands law are not as clearly established as they would be under statutes or judicial precedent in some jurisdictions in the United States. In particular, the Cayman Islands has a different body of securities laws than the United States. In addition, some U.S. states, such as Delaware, have more fully developed and judicially interpreted bodies of corporate law than the Cayman Islands. There is no statutory recognition in the Cayman Islands of judgments obtained in the United States, although the courts of the Cayman Islands will in certain circumstances recognize and enforce a non-penal judgment of a foreign court of competent jurisdiction without retrial on the merits. As a result of all of the above, public shareholders may have more difficulty in protecting their interests in the face of actions taken by management, members of the board of directors or controlling shareholders than they would as shareholders of a U.S. public company.

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

We are a company incorporated under the laws of the Cayman Islands. We conduct most of our operations in China and substantially all of our operations outside of the United States. Most of our assets are located in China, and substantially all of our assets are located outside of the United States. In addition, most of our senior executive officers reside within China for a significant portion of the time and most are PRC nationals. Substantially all of the assets of these persons are located outside the United States. As a result, it may be difficult or impossible for you to bring an action against us or against these individuals in the United States in the event that you believe that your rights have been infringed under the U.S. federal securities laws or otherwise. Even if you are successful in bringing an action of this kind, the laws of the Cayman Islands and of China may render you unable to enforce a judgment against our assets or the assets of our directors and officers. See also “*Risk Factors—Risk Factors Relating to Doing Business in China—You may experience difficulties in effecting service of legal process, enforcing foreign judgments or bringing actions in China against us or our management based on foreign laws.*”

Our share price may be volatile and could decline substantially.

The trading prices of our ordinary shares are likely to be volatile and could fluctuate widely due to factors beyond our control. This may happen because of broad market and industry factors, like the performance and fluctuation in the market prices or the underperformance or deteriorating financial results of companies based in China that have listed their securities in the United States in recent years. The securities of some of these companies have experienced significant volatility since their initial public offerings, including, in some cases, substantial decline in their trading prices. The trading performances of other PRC companies’ securities after their offerings may affect the attitudes of investors toward PRC companies listed in the United States, which consequently may impact the trading performance of our ordinary shares, regardless of our actual operating performance. In addition, any negative news or perceptions about inadequate corporate governance practices or fraudulent accounting, corporate structure or other matters of other PRC companies may also negatively affect the attitudes of investors towards PRC companies in general. In addition, securities markets may from time to time experience significant price and volume fluctuations that are not related to our operating performance, which may have a material adverse effect on the market price of our shares. In addition to the above factors, the price and trading volume of our ordinary shares may be highly volatile due to multiple factors, including the following:

- actual or anticipated variations in the financial results and prospects of us or other companies in the holographic technology services industry;
- changes in financial estimates by research analysts;
- changes in the market valuations of other companies we compete with;
- announcements by us or our competitors of new services and solutions, expansions, investments, acquisitions, strategic partnerships or joint ventures;
- mergers or other business combinations involving us;
- additions and departures of key personnel and senior management;
- changes in accounting principles;
- the passage of legislation or other developments affecting us or our industry;
- the trading volume of our ordinary shares in the public market;
- the release of lockup, escrow or other transfer restrictions on our outstanding equity securities or sales of additional equity securities;
- potential litigation or regulatory investigations;
- changes in economic conditions, including fluctuations in global and Chinese economies;

- financial market conditions;
- natural disasters, terrorist acts, acts of war or periods of civil unrest; and
- the realization of some or all of the risks described in this section.

In addition, the stock markets have experienced significant price and trading volume fluctuations from time to time, and the market prices of the equity securities of retailers have been extremely volatile and are sometimes subject to sharp price and trading volume changes. These broad market fluctuations may materially and adversely affect the market price of our ordinary shares.

We do not intend to pay cash dividends for the foreseeable future.

We currently intend to retain future earnings, if any, to finance the further development and expansion of our business and does not intend to pay cash dividends in the foreseeable future. Any future determinations to pay dividends will be at the discretion of our board of directors and will depend on our financial condition, results of operations, capital requirements, restrictions contained in future agreements and financing instruments, business prospects and such other factors as our board of directors deems relevant.

We may be subject to securities litigation, which is expensive and could divert management attention.

The market price of our ordinary shares may be volatile and, in the past, companies that have experienced volatility in the market price of their stock have been subject to securities class action litigation. We may be the target of this type of litigation in the future. Securities litigation against us could result in substantial costs and divert management's attention from other business concerns, which could seriously harm our business.

The sale or availability for sale of substantial amounts ordinary shares could adversely affect our market price.

Sales of substantial amounts of the ordinary shares in the public market, or the perception that these sales could occur, could adversely affect the market price of our ordinary shares and could materially impair our ability to raise capital through equity offerings in the future. We cannot predict what effect, if any, market sales of securities held by our significant shareholders or any other holders or the availability of these securities for future sale will have on the market price of our ordinary shares.

If securities or industry analysts do not publish research or publish inaccurate or unfavorable research about us or our business, our ordinary shares price and trading volume could decline.

The trading market for our ordinary shares will depend in part on the research and reports that securities or industry analysts publish about us or our business. Securities and industry analysts do not currently, and may never, publish research on us. If no securities or industry analysts commence coverage of us, the trading price for our ordinary shares would likely be negatively impacted. In the event securities or industry analysts initiate coverage, if one or more of the analysts who cover us downgrade our securities or publish inaccurate or unfavorable research about our business, our stock price would likely decline. If one or more of these analysts cease coverage of us or fail to publish reports on us, demand for our ordinary shares could decrease, which might cause our ordinary share price and trading volume to decline.

We may redeem your unexpired warrants prior to their exercise at a time that is disadvantageous to you, thereby making your warrants worthless.

We will have the ability to redeem outstanding public warrants at any time after they become exercisable and prior to their expiration. If and when the warrants become redeemable by us, we may exercise the redemption right even if it is unable to register or qualify the underlying securities for sale under all applicable state securities laws. Redemption of the outstanding warrants could force holders to (i) exercise the warrants and pay the exercise price therefor at a time when it may be disadvantageous to do so, (ii) sell the warrants at the then-current market price when the holder might otherwise wish to hold onto such warrants or (iii) accept the nominal redemption price which, at the time the outstanding warrants are called for redemption, is likely to be substantially less than the market value of the warrants. None of the private placement warrants will be redeemable by us so long as they are held by their initial purchasers or their permitted transferees.

In addition, we may redeem your warrants after they become exercisable for a number of shares of our ordinary shares determined based on the redemption date and the fair market value of our ordinary shares. Any such redemption may have similar consequences to a cash redemption described above. In addition, such redemption may occur at a time when the warrants are “out-of-the- money,” in which case you would lose any potential embedded value from a subsequent increase in the value of our ordinary shares had your warrants remained outstanding.

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

In order to maintain our listing on Nasdaq, we will be required to comply with certain rules of Nasdaq’s continue listing requirements, including those regarding minimum shareholders’ equity, minimum share price, minimum market value of publicly held shares, 300 round lot shareholders and various additional requirements. In order to continue listing our securities on Nasdaq, we must maintain certain financial, distribution and stock price levels. Generally, we must maintain a minimum amount in shareholders’ equity (generally \$2,500,000) and a minimum number of holders of our securities (generally 300 public holders). Even if we initially meet the listing requirements and other applicable rules of Nasdaq, we may not be able to continue to satisfy these requirements and applicable rules for continued listing on Nasdaq. If we are unable to satisfy Nasdaq criteria for maintaining our listing, our securities could be subject to delisting.

If Nasdaq does not list our securities, or subsequently delists our securities from trading, we could face significant consequences, including:

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

The National Securities Markets Improvement Act of 1996, which is a federal statute, prevents or preempts the states from regulating the sale of certain securities, which are referred to as “covered securities.” Our ordinary shares are covered securities. Although the states are preempted from regulating the sale of our securities, the federal statute does allow the states to investigate companies if there is a suspicion of fraud, and, if there is a finding of fraudulent activity, then the states can regulate or bar the sale of covered securities in a particular case.

You may face difficulties in protecting your interests, and your ability to protect your rights through U.S. courts may be limited, because we are incorporated under Cayman Islands law.

We are an exempted company incorporated under the laws of the Cayman Islands. our corporate affairs are governed by our memorandum and articles of association, the Companies Act (As Revised) of the Cayman Islands and the common law of the Cayman Islands. The rights of shareholders to take action against our directors, actions by our minority shareholders and the fiduciary duties of our directors to us under Cayman Islands law are to a large extent governed by the common law of the Cayman Islands. The common law of the Cayman Islands is derived in part from comparatively limited judicial precedent in the Cayman Islands as well as from the common law of England, the decisions of whose courts are of persuasive authority, but are not binding, on a court in the Cayman Islands. The rights of our shareholders and the fiduciary duties of our directors under Cayman Islands law are not as clearly established as they would be under statutes or judicial precedent in some jurisdictions in the United States. In particular, the Cayman Islands have a less developed body of securities laws than the United States. Some U.S. states, such as Delaware, have more fully developed and judicially interpreted bodies of corporate law than the Cayman Islands. In addition, Cayman Islands companies may not have standings to initiate a shareholder derivative action in a federal court of the United States.

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

As a result of all of the above, our public shareholders may have more difficulty in protecting their interests in the face of actions taken by our management, users of the board of directors or controlling shareholders than they would as public shareholders of a company incorporated in the United States.

We are an emerging growth company within the meaning of the Securities Act, and if we take advantage of certain exemptions from disclosure requirements available to emerging growth companies, this could make our securities less attractive to investors and may make it more difficult to compare our performance with other public companies.

We are an emerging growth company within the meaning of the Securities Act, as modified by the JOBS Act, and we may take advantage of certain exemptions from various reporting requirements that are applicable to other public companies that are not emerging growth companies including, but not limited to, not being required to comply with the auditor attestation requirements of Section 404 of the Sarbanes-Oxley Act, reduced disclosure obligations regarding executive compensation in our periodic reports and proxy statements, and exemptions from the requirements of holding a nonbinding advisory vote on executive compensation and shareholder approval of any golden parachute payments not previously approved. As a result, our shareholders may not have access to certain information they may deem important. We could remain an emerging growth company for up to five years from the date of our IPO, although circumstances could cause us to lose that status earlier, including if the market value of our ordinary shares held by non-affiliates exceeds \$700,000,000 as of any June 30 before that time, in which case we would no longer be an emerging growth company as of the following December 31. We cannot predict whether investors will find our securities less attractive because we will rely on these exemptions. If some investors find our securities less attractive as a result of our reliance on these exemptions, the trading prices of our securities may be lower than they otherwise would be, there may be a less active trading market for our securities and the trading prices of our securities may be more volatile.

Further, Section 102(b)(1) of the JOBS Act exempts emerging growth companies from being required to comply with new or revised financial accounting standards until private companies (that is, those that have not had a Securities Act registration statement declared effective or do not have a class of securities registered under the Exchange Act) are required to comply with the new or revised financial accounting standards. The JOBS Act provides that a company can elect to opt out of the extended transition period and comply with the requirements that apply to non-emerging growth companies but any such an election to opt out is irrevocable. We have elected not to opt out of such extended transition period which means that when a standard is issued or revised and it has different application dates for public or private companies, we, as an emerging growth company, can adopt the new or revised standard at the time private companies adopt the new or revised standard. This may make comparison of our financial statements with another public company which is neither an emerging growth company nor an emerging growth company which has opted out of using the extended transition period difficult or impossible because of the potential differences in accountant standards used.

We will continue to incur increased costs as a result of being a public company, particularly after we cease to qualify as an “emerging growth company.”

The Sarbanes-Oxley Act of 2002, as well as rules subsequently implemented by the SEC and Nasdaq, impose various requirements on the corporate governance practices of public companies. As a company with less than \$1.235 billion in revenues for its last fiscal year, we qualify as an “emerging growth company” pursuant to the JOBS Act. An emerging growth company may take advantage of specified reduced reporting and other requirements that are otherwise applicable generally to public companies. These provisions include exemption from the auditor attestation requirement under Section 404 of the Sarbanes-Oxley Act of 2002 in the assessment of the emerging growth company’s internal control over financial reporting and permission to delay adopting new or revised accounting standards until such time as those standards apply to private companies.

We expect these rules and regulations to increase our legal and financial compliance costs and to make some corporate activities more time-consuming and costly. After we are no longer an “emerging growth company”, we expect to incur significant expenses and devote substantial management effort toward ensuring compliance with the requirements of Section 404 of the Sarbanes-Oxley Act of 2002 and the other rules and regulations of the SEC. For example, as a result of becoming a public company, we will need to increase the number of independent directors and adopt policies regarding internal controls and disclosure controls and procedures. We also expect that operating as a public company will make it more difficult and more expensive for us to obtain director and officer liability insurance, and we may be required to accept reduced policy limits and coverage or incur substantially higher costs to obtain the same or similar coverage. In addition, we will incur additional costs associated with our public company reporting requirements. It may also be more difficult for us to find qualified persons to serve on our board of directors or as executive officers. We are currently evaluating and monitoring developments with respect to these rules and regulations, and we cannot predict or estimate with any degree of certainty the amount of additional costs we may incur or the timing of such costs.

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

We may be or become a PFIC, which could result in adverse U.S. federal income tax consequences to U.S. Holders.

If we are deemed a PFIC for any taxable year (or portion thereof) that is included in the holding period of a U.S. holder of our ordinary shares, rights or warrants, the U.S. holder may be subject to adverse U.S. federal income tax consequences and may be subject to additional reporting requirements. our PFIC status for our current and subsequent taxable years may depend on whether we qualify for the PFIC start-up exception. Depending on the particular circumstances the application of the start-up exception may be subject to uncertainty, and there cannot be any assurance that we will qualify for the start-up exception. Accordingly, there can be no assurances with respect to our status as a PFIC for our current taxable year or any subsequent taxable year. our actual PFIC status for any taxable year, however, will not be determinable until after the end of such taxable year. Moreover, if we determine that we are a PFIC for any taxable year, we will endeavor to provide to a U.S. holder such information as the Internal Revenue Service (“IRS”) may require, including a PFIC annual information statement, in order to enable the U.S. holder to make and maintain a “qualified electing fund” election, but there can be no assurance that we will timely provide such required information, and such election would be unavailable with respect to our warrants in all cases. U.S. holders are urged to consult their own tax advisors regarding the possible application of the PFIC rules to holders of our ordinary shares, rights and warrants. For a more detailed explanation of the tax consequences of PFIC classification to U.S. holders.

Item 1B. Unresolved Staff Comments.

None.

Item 2. Properties.

Headquartered in Shanghai, China, we have offices in Shenzhen, Horgos, and Kashgar. As of December 31, 2022, we leased altogether approximately 2,218.82 square meters of office space in Shanghai, Shenzhen, Horgos, and Kashgar. We may add additional offices as we expand our business to other provinces and countries. We believe that our facilities are sufficient for our current needs and that, should it be needed, additional facilities will be available to accommodate the expansion of our business.

Item 3. Legal Proceedings.

We are currently not a party to any material legal or administrative proceedings. We may in the future be involved in, legal proceedings, claims, inquiries, and investigations in the ordinary course of our business. Although the results of these proceedings, claims, inquiries, and investigations cannot be predicted with certainty, we do not believe that the final outcome of these matters is reasonably likely to have a material adverse effect on our business, financial condition, or results of operations. Regardless of final outcomes, however, any such proceedings, claims, inquiries, and investigations may nonetheless impose a significant burden on management and employees and may come with costly defense costs or unfavorable preliminary and interim rulings.

Item 4. Mine Safety Disclosures.

Not applicable.

PART II

Item 5. Market for Registrant's Common Equity, Related Stockholder Matters and Issuer Purchases of Equity Securities.

Market Information

Our ordinary shares, par value \$0.0001 per share, and public warrants are currently listed on Nasdaq under the symbols "HOLO" and "HOLOW," respectively. On March 13, 2023, the closing sale price of our ordinary shares was \$2.11 per share and the closing sale price of our public warrants was \$0.13 per warrant.

Holders of Record

Immediately after giving effect to the Business Combination, we had 50,812,035 ordinary shares issued and outstanding, and 6,020,500 warrants outstanding. As of March 13, 2023, there were approximately 19 holders of record of our ordinary shares and two holders of record of our warrants. Such numbers do not include beneficial owners holding our securities through nominee names. The actual number of holders of our ordinary share and warrants may be greater than our record holders.

Dividend Policy

We have never declared or paid, and do not anticipate declaring or paying, any cash dividends on our capital stock. Any future determination as to the declaration and payment of dividends, if any, will be at the discretion of our board of directors and will depend on then-existing conditions, including our financial condition, operating results, contractual restrictions, capital requirements, business prospects and other factors that our board of directors may deem relevant.

Purchases of Equity Securities by the Issuer and Affiliated Purchasers

There were no purchases of equity securities by the issuer or affiliated purchasers, as defined in Rule 10b-18(a) (3) the Securities Exchange Act of 1934, during the fourth quarter of our fiscal year ended December 31, 2022.

Recent Sale of Unregistered Securities and Use of Proceeds

None.

Securities Authorized for Issuance under Equity Compensation Plans

None.

Performance Graph

We are a "smaller reporting company," as defined by Item 10(f)(1) of Regulation S-K, and therefore are not required to provide the information required by paragraph (e) of Item 201 of Regulation S-K.

Item 6. [Reserved]**Item 7. Management’s Discussion and Analysis of Financial Condition and Results of Operations.**

The following discussion and analysis of our financial condition and results of operations should be read in conjunction with our consolidated financial statements and related notes included elsewhere in this Annual Report on Form 10-K. In addition to historical consolidated financial information, the following discussion contains forward-looking statements that reflect our plans, estimates, and beliefs that involve significant risks and uncertainties. Our actual results could differ materially from those discussed in the forward-looking statements. Factors that could cause or contribute to those differences include those discussed below and elsewhere in this Annual Report on Form 10-K, particularly in “Risk Factors” and “Cautionary Note Regarding Forward-Looking Statements.”

Overview

We are one of the leading holographic digitalization technology service providers in China in terms of total revenue and the number of total intellectual property rights. As of December 31, 2022, we owned 2,218 works of copy right, which represents a significant market leading position as compared to our competitors in China. We are committed to providing leading holographic technology services to our customers worldwide. Our holographic technology services include high-precision holographic light detection and ranging (“LiDAR”) solutions, based on holographic technology, exclusive holographic LiDAR point cloud algorithms architecture design, breakthrough technical holographic imaging solutions, holographic LiDAR sensor chip design and holographic vehicle intelligent vision technology to service customers that provide reliable holographic advanced driver assistance systems (“ADAS”). We also provide holographic digital twin technology services for customers and have built a proprietary holographic digital twin technology resource library. Our holographic digital twin technology resource library captures shapes and objects in 3D holographic form by utilizing a combination of our holographic digital twin software, digital content, spatial data-driven data science, holographic digital cloud algorithm, and holographic 3D capture technology. Our holographic digital twin technology and resource library have the potential to become the new norm for the digital twin augmented physical world in the near future. We are also a distributor of holographic hardware and generates revenue through resale.

Business Combination

Golden Path Acquisition Corporation (“Golden Path”) was a former blank check company incorporated in Cayman Island on May 9, 2018. Golden Path was formed for the purpose of effecting a merger, share exchange, asset acquisition, stock purchase, reorganization or similar business combination with one or more businesses. For additional detail regarding Golden Path’s initial public offering and related transactions, see Note 1 — “Nature of business and organization” to the consolidated financial statements in Item 8 of this Annual Report on Form 10-K for additional details.

MicroCloud Hologram Inc. (formerly known as Golden Path Acquisition Corporation), a Cayman Islands exempted company, entered into the Merger Agreement dated September 10, 2021 (as amended on August 5, 2022 and August 10, 2022), by and among Golden Path, Golden Path Merger Sub, a Cayman Islands exempted company incorporated for the purpose of effectuating the business combination, and MC, a Cayman Islands exempted company.

Pursuant to the Merger Agreement, MC would merge with Golden Path Merger Sub and survive the merger and continue as the surviving company and a wholly owned subsidiary of Golden Path and continue its business operations (the “Merger”, and, collectively with the other transactions described in the Merger Agreement, the “Business Combination”).

On September 8, 2022, Golden Path held an Extraordinary General Meeting (the “Extraordinary General Meeting”) to approve the Merger and the transactions contemplated by the Merger Agreement. As of August 17, 2022, the record date for the Extraordinary General Meeting (“Record Date”), there were 7,458,000 Golden Path ordinary shares issued and outstanding and entitled to vote.

At the Extraordinary General Meeting, a total of 6,106,914 (or 81.88%) of Golden Path’s issued and outstanding ordinary shares, in each case held as of the Record Date, were present either in person or by proxy, which collectively constituted a quorum for the transaction of business. Golden Path’s shareholders voted on and approved each of the proposals (except on the proposal of adjournment, as explained below), including the business combination proposal. Detailed descriptions of each proposal are included in Golden Path’s Definitive Proxy Statement filed on Schedule 14A (File No. 001-40519) with the SEC on August 12, 2022. The proposal to approve the adjournment of the Extraordinary General Meeting to a later date or dates, if necessary or appropriate, to permit further solicitation and vote of proxies was deemed not necessary and not acted upon at the Extraordinary General Meeting.

On September 16, 2022, in accordance with the Merger Agreement, the closing of the Business Combination (the “Closing”) occurred, pursuant to which Golden Path issued 44,554,455 ordinary shares to MC shareholders. As a result of the consummation of the Business Combination, MC became a wholly owned subsidiary of Golden Path which changed its name to MicroCloud Hologram Inc.

Following the Closing, on September 19, 2022, the ordinary shares and public warrants outstanding upon the Closing began trading on the NASDAQ under the symbols “HOLO” and “HLOW,” respectively. Immediately after giving effect to the Business Combination, MicroCloud had 50,812,035 ordinary shares issued and outstanding, and 6,020,500 warrants outstanding. Please refer to Note 1 — “Nature of business and organization” to the consolidated financial statements in Item 8 of this Annual Report on Form 10-K for additional details.

Key Components of Results of Operations

Revenues

Effective January 1, 2019, we adopted ASC 606, Revenue from Contracts with Customers (“Topic 606”), applying the modified retrospective method to all contracts that were not completed as of January 1, 2019. Results for the years ended December 31, 2021 and 2022 are presented under Topic 606. Based on the requirements of ASC Topic 606, revenue is recognized when control of the promised goods or services is transferred to the customers in an amount that reflects the consideration we expect to be entitled to receive in exchange for those goods or services.

We generate revenues primarily through (i) sales of product related to holographic solutions services, which include LiDAR and other holographic technology hardware products, licensing and content products, and technology development service, and (ii) services related to holographic technology services, which include holographic technology advertising, software development kit (“SDK”) service, and game promotion services. The following table presents our revenues disaggregated by revenue sources, both in absolute amount and as a percentage of our revenues, for the periods presented.

	For the years ended December 31,			
	2022		2021	
	\$	%	\$	%
Operating revenues				
Products	18,518,305	25.5	16,040,124	28.5
Services	53,994,530	74.5	40,244,193	71.5
Total operating revenues	72,512,835	100.0	56,284,317	100.0

Cost of revenues

Our cost of revenues primarily includes (i) the costs of hardware products sold and cost paid to outsourced content providers, cost of third-party software development, and compensation expenses paid to our professionals related to the product sales and (ii) the costs paid to channel distributors of advertising services and compensation expenses paid to our professionals related to our service revenues. The table below sets forth a breakdown of our cost of revenues for the periods indicated, both in absolute amount and as a percentage of our revenues:

	For the years ended December 31,			
	2022		2021	
	\$	%	\$	%
Cost of revenues				
Products	15,334,302	39.0	12,920,058	75.8
Services	23,999,856	61.0	4,126,606	24.2
Total cost of revenues	39,334,158	100.0	17,046,664	100.0

Selling expenses

As of December 31, 2022, our selling expenses consist primarily of (i) compensation for selling personnel, (ii) travel expenses of our sales representatives, and (iii) advertising and promotion cost, etc. Our selling expenses as a percentage of revenues were 1.8% and 1.5% for the years ended December 31, 2022 and 2021, respectively.

General and administrative expenses

As of December 31, 2022, our general and administrative expenses consist primarily of (i) compensation for our management and administrative personnel, (ii) expenses in connection with our operation supporting functions such as legal, accounting, consulting and other professional service fees, and (iii) office rental, depreciation, and other administrative related expenses. Our general and administrative expenses as a percentage of revenues were 4.7% and 5.6% for the years ended December 31, 2022 and 2021, respectively.

Research and Development Expenses (“R&D expenses”)

Our research and development expenses include salaries and other compensation-related expenses to our research and product development personnel, outsourced subcontractors, as well as office rental, depreciation, and related expenses for our research and product development team. Our research and development expenses as a percentage of revenues were 67.9% and 40.5% for the years ended December 31, 2022 and 2021, respectively.

Change in Fair Value of Warrant Liabilities

We account for the outstanding warrants in accordance with the guidance contained in ASC 815-40-15-7D and 7F. We have determined that the Private Warrants do not meet the criteria for equity treatment and is recorded as liabilities. We classified the Private Warrants as liabilities at their fair value and adjusts the Private Warrants to fair value at each presented period. We determined that our Public Warrants qualify for equity treatment. Warrant liability is subject to re-measurement at each audited consolidated Balance Sheet until exercised, and any change in fair value is recognized in our audited consolidated Statements of Income. The Private Warrants are valued using a Black Scholes model.

Taxation

Cayman Islands

We are incorporated in the Cayman Islands. Under the current laws of the Cayman Islands, we are not subject to tax on income or capital gain in the Cayman Islands. Additionally, no withholding tax will be required on payments of dividends by us to our shareholders.

Hong Kong

Quantum Edge HK Limited, our subsidiary incorporated in Hong Kong, is subject to a two-tiered income tax rate for taxable income earned in Hong Kong. The first HK\$2 million of profits earned by a company is subject to be taxed at an income tax rate of 8.25%, while the remaining profits will continue to be taxed at the existing tax rate of 16.5%. No provision for Hong Kong profits tax has been made in the audited consolidated financial statements as it has no assessable profit for the year ended December 31, 2021 and 2022.

PRC

The subsidiaries incorporated in the PRC are governed by the income tax laws of the PRC and the income tax provision for operations in the PRC is calculated at the applicable tax rates on the taxable income for the periods based on existing legislation, interpretations and practices in respect thereof. Under the Enterprise Income Tax Laws of the PRC (the “EIT Laws”), domestic enterprises and Foreign Investment Enterprises (the “FIE”) are subject to a unified 25% enterprise income tax rate while preferential tax rates, tax holidays and even tax exemptions may be granted on a case-by-case basis. EIT grants preferential tax treatment to certain High and New Technology Enterprises (“HNTEs”). Under this preferential tax treatment, HNTEs are entitled to an income tax rate of 15%, subject to a requirement that they re-apply for HNTE status every three years. Shanghai Mengyun obtained the “high-tech enterprise” tax status in October 2017 and further renewed in December 2020, which reduced its statutory income tax rate to 15% from January 2017 to December 2023. Shenzhen Mengyun obtained the “high-tech enterprise” tax status in November 2018 and further renewed in December 2021, which reduced its statutory income tax rate to 15% from January 2018 to December 2024. Shenzhen Bowei obtained the “high-tech enterprise” tax status in December 2021, which reduced its statutory income tax rate to 15% from December 2021 to December 2024.

Horgos Weiyi, Horgos Youshi, Horgos Bowei and Horgos Tianyuemeng were formed and registered in Horgos in Xinjiang Province, China from 2016 to 2020, and Kashgar Youshi was formed and registered in Kashgar in Xinjiang Province, China in 2016. These companies are not subject to income tax for 5 years and can obtain another two years of tax-exempt status and three years at reduced income tax rate of 12.5% after the 5 years due to the local tax policies to attract companies in various industries.

The Ministry of Finance (“MOF”) and State Administration of Taxation (“SAT”) on January 17, 2019 jointly issued Cai Shui 2019 No. 13. This clarified that from January 1, 2019 to December 31, 2021, eligible small enterprises whose RMB 1,000,000 of annual taxable income is eligible for a 75% reduction on a rate of 20% (i.e., effective rate is 5%) and the income between RMB 1,000,000 and RMB 3,000,000 is eligible for 50% reduction on a rate of 20% (i.e., effective rate is 10%). On April 2, 2021, MOF and SAT further jointly issued Cai Shui 2021 No. 12, which clarified that from January 1, 2022 to December 31, 2022, eligible small enterprises whose RMB 1,000,000 of annual taxable income is eligible for an extra 50% reduction base on Cai Shui 2019 No. 13 (i.e., effective rate is 2.5%). On March 14, 2022, MOF and SAT further jointly issued Cai Shui 2022 No. 13, which clarified that from January 1, 2022 to December 31, 2022, eligible small enterprises whose income between RMB 1,000,000 and RMB 3,000,000 is eligible for an extra 50% reduction base on Cai Shui 2019 No. 13 (i.e., effective rate is 5%). For the years ended December 30, 2021 and 2022, Shenzhen Tianyuemeng and Shenzhen Yunao were eligible to employ this policy.

Tax savings for those entities in Xinjiang province including Horgos Weiyi, Horgos Youshi, Horgos Bowei, Kashgar Youshi and Horgos Tianyuemeng and for those entities eligible for small enterprises including Shenzhen Tianyuemeng and Shenzhen Yunao and HNTes including Shanghai Mengyun, Shenzhen Mengyun and Shenzhen Bowei for the years ended December 31, 2022 and 2021 amounted to \$186,403 and \$431,109, respectively. Our PRC subsidiaries are subject to value added tax, or VAT, at a rate of 6% on services and 13% on goods in China. We are also subject to surcharges on VAT payments in accordance with PRC laws.

Critical Accounting Policies and Estimates

Our audited consolidated financial statements are prepared in accordance with accounting principles generally accepted in the United States of America, which require us to make estimates and assumptions that affect the reported amounts of assets and liabilities as of the date of the financial statements, the reported amounts of revenues and expenses during the reporting periods and the related disclosures in the audited consolidated financial statements and accompanying footnotes. Out of our significant accounting policies, which are described in “Note 2—Summary of principal accounting policies” of our audited consolidated financial statements included under Item 8 of Part II in this Annual Report, certain accounting policies are deemed “critical,” as they require our management’s highest degree of judgment, estimates and assumptions. While our management believes our judgments, estimates and assumptions are reasonable, they are based on information presently available and actual results may differ significantly from those estimates under different assumptions and conditions.

Principles of consolidation

The audited consolidated financial statements include the financial statements of MicroCloud and its subsidiaries. All significant intercompany transactions and balances between MicroCloud and its subsidiaries are eliminated upon consolidation.

Subsidiaries are those entities in which MicroCloud, directly or indirectly, controls more than one half of the voting power; or has the power to govern the financial and operating policies, to appoint or remove the majority of the members of the board of directors, or to cast a majority of votes at the meeting of directors.

Use of estimates and assumptions

The preparation of audited consolidated financial statements in conformity with U.S. GAAP requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosures of contingent assets and liabilities as of the date of the audited consolidated financial statements and the reported amounts of revenues and expenses during the periods presented. Significant accounting estimates reflected in our audited consolidated financial statements include the useful lives of property and equipment and intangible assets, impairment of long-lived assets and goodwill, allowance for doubtful accounts, revenue recognition, inventory reserve, purchase price allocation for business combination, uncertain tax position, and deferred taxes. Actual results could differ from these estimates.

We account for our outstanding Warrants in accordance with the guidance contained in ASC 815-40-15-7D and 7F. Management has determined that under the Private Warrants do not meet the criteria for equity treatment and must be recorded as liabilities. Accordingly, we classify the Private Warrants as liabilities at their fair value and adjusts the Private Warrants to fair value at each reporting period. Management has further determined that its Public Warrants qualify for equity treatment. Warrant liability is subject to re-measurement at each balance sheet date until exercised, and any change in fair value is recognized in our statements of operations. The Private Warrants are valued using a Black Scholes model.

Foreign currency translation and transaction

Transactions denominated in currencies other than the functional currency are translated into the functional currency at the exchange rates prevailing on the dates of the transaction. Monetary assets and liabilities denominated in currencies other than the functional currency are translated into the functional currency using the applicable exchange rates on the date of the balance sheet. The resulting exchange differences are recorded in the statement of operations.

The reporting currency of the Company and its subsidiaries is U.S. dollars (“US\$”) and the consolidated financial statements have been expressed in US\$. However, the Company maintains the books and records in its functional currency, Chinese Renminbi (“RMB”), being the functional currency of the economic environment in which its operations are conducted.

In general, for consolidation purposes, assets and liabilities of the Company and its subsidiaries whose functional currency is not the US\$, are translated into US\$, using the exchange rate on the balance sheet date. Revenues and expenses are translated at average rates prevailing during the period. The gains and losses resulting from translation of financial statements of the Company and its subsidiaries and former VIEs are recorded as a separate component of accumulated other comprehensive loss within the consolidated statements of changes in stockholders' equity.

Translation of amounts from RMB into US\$ has been made at the following exchange rates for the respective periods:

	As of December 31,	
	2022	2021
Balance sheet items, except for equity accounts	6.8972	6.3721
	For the Years Ended December 31,	
	2022	2021
Items in the statements of income and comprehensive income, and statements of cash flows	6.7290	6.3721

Goodwill

Goodwill represents the excess of the consideration paid for an acquisition over the fair value of the net identifiable assets of the acquired subsidiaries at the date of acquisition. Goodwill is not amortized and is tested for impairment at least annually, more often when circumstances indicate impairment may have occurred. Goodwill is carried at cost less accumulated impairment losses. If impairment exists, goodwill is immediately written down to its fair value and the loss is recognized in the consolidated statements of income and comprehensive income. Impairment losses on goodwill are not reversed.

We have the option to assess qualitative factors to determine whether it is necessary to perform further impairment testing in accordance with ASC 350-20, as amended by ASU 2017-04. If we believe, as a result of the qualitative assessment, that it is more likely than not that the fair value of the reporting unit is less than its carrying amount, then the impairment test described below is required. We compare the fair values of each reporting unit to its carrying amount, including goodwill. If the fair value of the reporting unit exceeds its carrying amount, goodwill is not considered to be impaired. If the carrying amount of a reporting unit exceeds its fair value, impairment is recognized for the difference, limited to the amount of goodwill recognized for the reporting unit. Estimating fair value is performed by utilizing various valuation techniques, with the primary technique being discounted cash flows.

Impairment for long-lived assets

Long-lived assets, including property and equipment and intangible assets with finite lives are reviewed for impairment whenever events or changes in circumstances (such as a significant adverse change to market conditions that will impact the future use of the assets) indicate that the carrying value of an asset may not be recoverable. We assess the recoverability of the assets based on the undiscounted future cash flows the assets are expected to generate and recognize an impairment loss when estimated undiscounted future cash flows expected to result from the use of the asset plus net proceeds expected from disposition of the asset, if any, are less than the carrying value of the asset. If an impairment is identified, we would reduce the carrying amount of the asset to its estimated fair value based on a discounted cash flows approach or, when available and appropriate, to comparable market values. For the years ended December 31, 2022 and 2021, no impairment of long-lived assets was recognized.

Investments in unconsolidated entities

Our investments in unconsolidated entities consist of equity investments without readily determinable fair value.

We follow ASC Topic 321, Investments Equity Securities (“ASC 321”) to account for investments that do not have readily determinable fair value and over which we do not have significant influence. We use the measurement alternative to measure those investments at cost, less any impairment, plus or minus changes resulting from observable price changes in orderly transactions for identical or similar investments of the same issuer, if any.

An impairment charge is recorded if the carrying amount of the investment exceeds its fair value and this condition is determined to be other-than temporary. For the years ended of December 31, 2022 and 2021, the Company made \$237,777 and nil impairment for investments in unconsolidated entities, respectively.

Business combination

The purchase price of an acquired company is allocated between tangible and intangible assets acquired and liabilities assumed from the acquired business based on their estimated fair values, with the residual of the purchase price recorded as goodwill. Transaction costs associated with business combinations are expensed as incurred, and are included in general and administrative expenses in our consolidated statements of income and comprehensive income. The results of operations of the acquired business are included in our operating results from the date of acquisition.

Fair value measurement

U.S. GAAP regarding fair value of financial instruments and related fair value measurements defines financial instruments and requires disclosure of the fair value of financial instruments held by us.

U.S. GAAP defines fair value, establishes a three-level valuation hierarchy for disclosures of fair value measurement and enhances disclosure requirements for fair value measures. The three levels are defined as follow:

- Level 1 inputs to the valuation methodology are quoted prices (unadjusted) for identical assets or liabilities in active markets.
- Level 2 inputs to the valuation methodology include quoted prices for similar assets and liabilities in active markets, and inputs that are observable for the assets or liability, either directly or indirectly, for substantially the full term of the financial instruments.
- Level 3 inputs to the valuation methodology are unobservable and significant to the fair value.

Financial instruments included in current assets and current liabilities are reported in the audited consolidated balance sheets at face value or cost, which approximate fair value because of the short period of time between the origination of such instruments and their expected realization and their current market rates of interest.

Noncontrolling Interests

Our noncontrolling interests represent the minority shareholders’ ownership interests related to our subsidiaries, including 44% for Ocean HK and its subsidiaries. The noncontrolling interests are presented in the consolidated balance sheets separately from equity attributable to our shareholders. Noncontrolling interests in the results of us are presented on the consolidated statement of income as allocations of the total income or loss for the year ended December 31, 2022 between noncontrolling interest holders and our shareholders.

Common Stock Warrants

We account for common stock warrants as either equity instruments or liabilities in accordance with ASC 480, *Distinguishing Liabilities from Equity* (“ASC 480”), depending on the specific terms of the warrant agreement. See Item 8 of Part II “Financial statements—Note 20—Warrant liabilities”.

Revenue recognition

Effective January 1, 2019, we adopted ASC Topic 606 using the modified retrospective adoption method. Based on the requirements of ASC Topic 606, revenue is recognized when control of the promised goods or services is transferred to the customers in an amount that reflects the consideration we expect to be entitled to receive in exchange for those goods or services. We primarily sell our products to hospitals and medical equipment companies. Revenue is recognized when the following 5-step revenue recognition criteria are met:

- 1) Identify the contract with a customer
- 2) Identify the performance obligations in the contract
- 3) Determine the transaction price
- 4) Allocate the transaction price
- 5) Recognize revenue when or as the entity satisfies a performance obligation

Our revenue recognition policies effective upon the adoption of ASC 606 are as follows:

(i) Holographic Solutions

a. Holographic Technology LiDAR Products

We generate LiDAR revenue through selling integrated circuit board embedded with holographic software. We typically enter into written contracts with its customer where the rights of the parties, including payment terms, are identified and sales prices to the customers are fixed with no separate sales rebate, discount, or other incentive and no right of return exists on sales of inventory. Our performance obligation is to deliver products according to contract specifications. We recognize product revenues at a point in time when the control of products are transferred to customers.

b. Holographic Technology Intelligence Vision software and Technology Development Service

We generate revenue by developing ADAS software and technology, which are generally on a fixed-priced basis. We have no alternative use for the customized software and we have an enforceable right to payment for performance completed to date. Revenues from ADAS software development contracts are recognized over time during the contract period based on our measurement of progress towards completion using input method, which is usually measured by comparing labor hours expended to date to total estimated labor hours needed to satisfy the performance obligation. As of December 31, 2022 and 2021, our aggregate amount of transaction price allocated to unsatisfied performance obligation is \$384,489 and \$67,535. Assumptions, risks and uncertainties inherent in the estimates used to measure progress could affect the amount of revenues, receivables and deferred revenues at each reporting period. We have a long history of developing various ADAS software resulting in its ability to reasonably estimate the progress toward completion on each fixed price customized contracts.

c. Holographic Technology Licensing and Content Products

We provide holographic content products and holographic software for music videos, shows, and commercials on a fixed-price basis. These contents and software are generally pre-developed and exist when made available to the customer. Content products are delivered through its website or offline using hard drive.

Revenues from licensing and content products are recognized at the point in time when the control of products or services is transferred to customers. No upgrades, maintenance, or any other post-contract customer support are provided.

d. Holographic Technology Hardware Sales

We are a distributor of holographic hardware and generates revenue through resale. In accordance with ASC 606, revenue recognition: principal agent consideration, an entity is a principal if it controls the specified good or service before that good or service is transferred to a customer. Otherwise, the entity is an agent in the transaction. We evaluate three indicators of control in accordance with ASU 2016-08: 1) for hardware sales, we are the most visible entity to customers and assumes fulfilment risk and risks related to the acceptability of products, including addressing customer complaints directly and handling of product returns or refunds directly. 2) we assume inventory risk after taking the title from vendors and are responsible for product damage during shipment period prior to acceptance of its customers and are also responsible for product return if the customer is not satisfied with the products. 3) we determine the resale price of hardware products. 4) we are the party that direct the use of the inventory and can prevent the vendor from transferring the product to a customer or to redirect the products to a different customer. After evaluating the above scenario, we consider ourselves the principal of these arrangements and record hardware sales revenue on a gross basis.

Hardware sales contracts are on a fixed price basis with no separate sales rebate, discount, or other incentive. Revenue is recognized at a point in time when we have delivered products and the acceptance by our customer with no future obligation. We generally permit returns of products due to deficits; however, returns are historically insignificant.

(ii) Holographic Technology Service

Holographic advertisements are the use of holographic technology integrated into advertisements on media platforms and offline display. We enter advertising contracts with advertisers to promote merchandises and services where the price, which is generally based on cost per action ("CPA"), is fixed and determinable. We provide our advertising service to channel providers where the amounts cost per action are also fixed and determinable. Revenue is recognized at a point of time when agreed actions are performed. We consider ourselves as provider of the services under the CPA model as we have the control of the services at any time before they are transferred to the customers, which is evidenced by 1) having a right to a service to be performed by the other party, which gives us the ability to direct that party to provide the service to the customers on our behalf. 2) having discretion in setting the price for the service 3) billing monthly advertising fee directly to customers by settling valid CPA data with customers. Therefore, we act as the principal of these arrangements and reports revenue earned and costs incurred related to these transactions on a gross basis. We also provide advertisement services through influencers on social networks. We charge advertisers a fixed rate, which is generally a fixed percentage of total value of merchandise sold over a specific period ("GMV"). Revenue is recognized at a point of time when merchandise is sold through social network.

Our SDK service is a collection of software development tools in one installable package that enables customers (usually software developers) to add holographic functionality and run holographic advertisements in their APPs or software. SDK contracts are primarily on a fixed rate basis, or cost per SDK Connection. We recognize SDK service revenue at a point in time when a user completes an SDK connection via a designated portal. Service fees are generally billed monthly based on per-connection basis.

We also provide game promotion services for game developers and licensed game operators. We acted as a marketing channel that it will promote the games through in-house or third-party platforms, from which users can download the mobile and purchase virtual currency for in game premium features to enhance their game playing experience. We contract with third party payment platforms for collection services offered to game players who have purchased virtual currency. The game developers, licensed operator, payment platforms and the marketing channels are entitled to profit sharing based on a prescribed percentage of the gross amount charged to the game players. Our obligation in the promotion services is completed at a point in time when the game players made a payment to purchase virtual currency. We considered itself an agent in these arrangements since we do not control the services at any time. Accordingly, we record the game promotion service revenue on a net basis.

Contract balances:

We record receivable related to revenue when we have an unconditional right to invoice and receive payment.

Payments received from customers before all of the relevant criteria for revenue recognition met are recorded as deferred revenues.

Our disaggregate revenue streams are summarized and disclosed in “Note 22—Segments” of our audited consolidated financial statements included under Item 8 of Part II in this Annual Report.

Operating leases

Effective January 1, 2022, we adopted ASU No. 2016-02, Leases (Topic 842), as amended, which supersedes the lease accounting guidance under Topic 840. We elected to apply practical expedients permitted under the transition method that allow them to use the beginning of the period of adoption as the date of initial application, to not recognize lease assets and lease liabilities for leases with a term of twelve months or less, to not separate non-lease components from lease components, and to not reassess lease classification, treatment of initial direct costs, or whether an existing or expired contract contains a lease. We used modified retrospective method.

Under the new lease standard, we determine if an arrangement is or contains a lease at inception. Right-of-use assets and liabilities are recognized at lease commencement date based on the present value of remaining lease payments over the lease terms. We consider only payments that are fixed and determinable at the time of lease commencement.

At the commencement date, the lease liability is recognized at the present value of the lease payments not yet paid, discounted using the interest rate implicit in the lease or, if that rate cannot be readily determined, our incremental borrowing rate for the same term as the underlying lease. The right-of-use asset is recognized initially at cost, which primarily comprises the initial amount of the lease liability, plus any initial direct costs incurred. All right-of-use assets are reviewed for impairment annually. There is no impairment for right-of-use lease assets as of December 31, 2022 and 2021.

Upon adoption, we recognized ROU assets of \$0.9 million and total lease liabilities (including current and non-current) of \$0.9 million for operating leases, based on the present value of the remaining minimum rental payments under existing operating leases. The impact of adopting ASC 842 on our opening retained earnings, current year net income and current year cash flow was insignificant.

As of December 31, 2022, we recognized operating lease ROU assets of \$0.6 million and total lease liabilities of \$0.6 million, including current portion of \$0.2 million for operating leases.

Valuation allowance of deferred tax assets

Deferred tax assets are reduced by a valuation allowance when, in the opinion of management, it is more likely than not that some portion or all of the deferred tax assets will not be realized. We consider positive and negative evidence when determining whether a portion or all of its deferred tax assets will more likely than not be realized. This assessment considers, among other matters, the nature, frequency and severity of current and cumulative losses, forecasts of future profitability, the duration of statutory carry-forward periods, its experience with tax attributes expiring unused, and its tax planning strategies. The ultimate realization of deferred tax assets is dependent upon its ability to generate sufficient future taxable income within the carry-forward periods provided for in the tax law and during the periods in which the temporary differences become deductible. When assessing the realization of deferred tax assets, we consider possible sources of taxable income including (i) future reversals of existing taxable temporary differences, (ii) future taxable income exclusive of reversing temporary differences and carry-forwards, (iii) future taxable income arising from implementing tax planning strategies, and (iv) specific known trend of profits expected to be reflected within the industry.

Results of Operations

The results of operations presented below should be reviewed in conjunction with the audited consolidated financial statements and notes included elsewhere in this Annual Report. The following table sets forth our audited consolidated results of operations data and as percentages of total operating revenues for the periods presented:

	For the years ended December 31,	
	2022	2021
OPERATING REVENUES		
Products	\$ 18,518,305	16,040,124
Services	53,994,530	40,244,193
Total Operating Revenues	72,512,835	56,284,317
COST OF REVENUES		
Products	(15,334,302)	(12,920,058)
Services	(23,999,856)	(4,126,606)
Total Cost of Revenues	(39,334,158)	(17,046,664)
GROSS PROFIT	33,178,677	39,237,653
OPERATING EXPENSES		
Provision for doubtful accounts	(442,335)	(80,875)
Selling expenses	(1,311,399)	(825,055)
General and administrative expenses	(3,408,608)	(3,147,858)
Research and development expenses	(49,230,916)	(22,809,775)
Total operating expenses	(54,393,258)	(26,863,563)
(LOSS)/INCOME FROM OPERATION	(21,214,581)	12,374,090
CHANGE IN FAIR VALUE OF WARRANT LIABILITY	656,164	-
OTHER INCOME/(EXPENSE)		
Finance income, net	248,043	98,366
Impairment loss for unconsolidated entities	(237,777)	-
Other income, net	146,154	152,843
Total other income, net	156,420	251,209
(LOSS)/INCOME BEFORE INCOME TAXES	(20,401,997)	12,625,299
BENEFIT FOR INCOME TAX	122,773	124,732
NET (LOSS)/INCOME	\$ (20,279,224)	12,750,031

Fiscal Year Ended December 31, 2022 compared to Fiscal Year Ended December 31, 2021

Operating Revenues. Our total operating revenues increased by approximately 28.8% from \$56.3 million for the year ended December 31, 2021 to \$72.5 million for the year ended December 31, 2022. The products revenues increased by approximately 15.4% from \$16.0 million for the year ended December 31, 2021 to \$18.5 million for the year ended December 31, 2022, primarily due to the demands increased from our customers on the holographic solutions and our successful business development in 2022. The services revenues increased by approximately 34.2% from \$40.2 million for the year ended December 31, 2021 to \$54.0 million for the year ended December 31, 2022, primarily due to the business development on the advertising and promotion services in 2022.

Cost of Revenue. Our cost of revenue increased by approximately 130.7% from \$17.0 million for the year ended December 31, 2021 to \$39.3 million for the year ended December 31, 2022. The cost of products sales increased by approximately 18.7% from \$12.9 million for the year ended December 31, 2021 to \$15.3 million for the year ended December 31, 2022. The cost of services increased by approximately 481.6% from \$4.1 million for the year ended December 31, 2021 to \$24.0 million for the year ended December 31, 2022, primarily due to our significant increased service cost paid to our outsourcing suppliers and content providers as a result of the demand increased from our customers for the advertising and promotion services developed in 2022.

Gross Profit and Gross Margin. As a result of the factors set out above, our gross profit decreased by approximately 15.4% from \$39.2 million for the year ended December 31, 2021 to \$33.2 million for the year ended December 31, 2022. Our gross margin decreased from 69.7% for the year ended December 31, 2021 to 45.8% for the year ended December 31, 2022 as the increase of our outsourcing costs exceeded the increase in revenues on our advertising and promotion business.

Provision for doubtful accounts. Our provision for doubtful accounts increased by approximately 446.9% from \$0.1 million for the year ended December 31, 2021 to \$0.4 million for the year ended December 31, 2022, primarily due to the allowance accrued in 2022 based on management's best estimates of specific losses on individual customer exposures.

Selling Expenses. Our selling and marketing expenses increased by approximately 58.9% from \$0.8 million for the year ended December 31, 2021 to \$1.3 million for the year ended December 31, 2022. This increase was primarily due to the increase of sales and marketing activities for our business development in 2022.

General and Administrative Expenses. Our general and administrative expenses increased by approximately 8.3% from \$3.1 million for the year ended December 31, 2021 to \$3.4 million for the year ended December 31, 2022. This increase was primarily due to the increasing costs for supporting our expanding business in 2022.

Research and Development Expenses. Our research and development expenses increased by approximately 115.8% from \$22.8 million for the year ended December 31, 2021 to \$49.2 million for the year ended December 31, 2022. The increase was primarily due to the continued research and development activities focused on enhancing our holographic LiDAR technology, holographic algorithm architecture, holographic digital twin technology and image processing technology, intelligent hardware technology, and holographic intelligent vision technology to create novel service and product offerings in 2022.

Income/(loss) from Operations. As a result of the factors set out above, we had approximately \$21.1 million operating loss for the year ended December 31, 2022 and \$12.4 million operating income for the year ended December 31, 2021.

Change in Fair Value of Warrant Liability. We recorded change in fair value of warrant liability of \$0.7 million and nil for the years ended December 31, 2022 and 2021, respectively. We classified the Private Warrants as liabilities at their fair value and adjusts the Private Warrants to fair value at each presented period. Warrant liability is subject to re-measurement at each audited consolidated Balance Sheet until exercised, and any change in fair value is recognized in our audited consolidated Statements of Income. The Private Warrants are valued using a Black Scholes model.

Interest Income, net. We had net interest income of approximately \$0.2 million and \$0.1 million which consisted primarily of interest earned from our cash and cash equivalents for the year ended December 31, 2022 and 2021, respectively.

Impairment loss for unconsolidated entities. We recorded impairment loss for unconsolidated entities of \$0.2 million and nil for the years ended December 31, 2022 and 2021, respectively.

Other Income/(loss), net. We recorded net other income of approximately \$0.1 million and \$0.2 million for the year ended December 31, 2022 and 2021, respectively. Other income was mainly attributable to government subsidies in the form of cash and taxation award during COVID-19 pandemic period. However, government subsidies in the form of cash and taxation award are discretionary in nature and we do not believe that the increase in government subsidies during the referenced period is reflective of a known trend.

Benefit for Income Tax. Our income tax benefit was approximately \$0.1 million and \$0.1 million for the year ended December 31, 2022 and 2021, respectively, primarily due to the decrease of taxable income generated from operations in our subsidiaries in PRC for the year ended December 31, 2022 compared with for the year ended December 31, 2021.

Net Income. As a result of the foregoing, we had net loss of approximately \$20.3 million and net income of \$12.8 million for the year ended December 31, 2022 and 2021, respectively.

Recently issued accounting pronouncements

In May 2019, the FASB issued ASU 2019-05, which is an update to ASU Update No. 2016-13, Financial Instruments — Credit Losses (Topic 326): Measurement of Credit Losses on Financial Instruments, which introduced the expected credit losses methodology for the measurement of credit losses on financial assets measured at amortized cost basis, replacing the previous incurred loss methodology. The amendments in Update 2016-13 added Topic 326, Financial Instruments — Credit Losses, and made several consequential amendments to the Codification. Update 2016-13 also modified the accounting for available-for-sale debt securities, which must be individually assessed for credit losses when fair value is less than the amortized cost basis, in accordance with Subtopic 326-30, Financial Instruments — Credit Losses — Available-for-Sale Debt Securities. The amendments in this Update address those stakeholders' concerns by providing an option to irrevocably elect the fair value option for certain financial assets previously measured at amortized cost basis. For those entities, the targeted transition relief will increase comparability of financial statement information by providing an option to align measurement methodologies for similar financial assets. Furthermore, the targeted transition relief also may reduce the costs for some entities to comply with the amendments in Update 2016-13 while still providing financial statement users with decision-useful information.

In November 2019, the FASB issued ASU No. 2019-10, which to update the effective date of ASU No. 2016-02 for private companies, not-for-profit organizations and certain smaller reporting companies applying for credit losses, leases, and hedging standard. The new effective date for these preparers is for fiscal years beginning after December 15, 2022. We are still evaluating the impact of the adoption of this ASU on our consolidated financial statements.

In October 2020, the FASB issued ASU 2020-08, "Codification Improvements to Subtopic 310-20, Receivables — Nonrefundable Fees and Other Costs". The amendments in this Update represent changes to clarify the Codification. The amendments make the Codification easier to understand and easier to apply by eliminating inconsistencies and providing clarifications. ASU 2020-08 is effective for us for annual and interim reporting periods beginning July 1, 2021. Early application is not permitted. All entities should apply the amendments in this Update on a prospective basis as of the beginning of the period of adoption for existing or newly purchased callable debt securities. These amendments do not change the effective dates for Update 2017-08. The adoption of this new standard does not have material impact on our consolidated financial statements and related disclosures.

Except as mentioned above, we do not believe other recently issued but not yet effective accounting standards, if currently adopted, would have a material effect on our consolidated balance sheets, statements of income and comprehensive income and statements of cash flows.

Liquidity and Capital Resources

In assessing our liquidity, we monitor and analyze our cash on-hand and our operating and capital expenditure commitments. Our liquidity needs are to meet our working capital requirements, operating expenses and capital expenditure obligations. Cash flow from operations, advance from shareholders, and proceeds from third party loan have been utilized to finance our working capital requirements. As of December 31, 2022, we had cash of \$21.9 million. Our working capital was approximately \$23.0 million as of December 31, 2022. We believe our revenues and operations will continue to grow and the current working capital is sufficient to support our operations and debt obligations as they become due one year through report date.

Following the approval of the Business Combination, on September 16, 2022, we received net cash proceeds of \$33.2 million from then closing of the Business Combination, net of certain transaction costs.

We are subject to risks and uncertainties frequently encountered by early-stage companies including, but not limited to, the uncertainty of successfully developing products, securing certain contracts, building a customer base, successfully executing business and marketing strategies, and hiring appropriate personnel.

To date, we have been funded primarily by cash flow generated from operations, interest-free advances by from our shareholders prior to the closing of the Business Combination, and the net proceeds we received through the Business Combination. Failure to generate sufficient revenues, achieve planned gross margins and operating profitability, control operating costs, or secure additional funding may require us to modify, delay, or abandon some of our planned future expansion or development, or to otherwise enact operating cost reductions available to management, which could have a material adverse effect on our business, operating results, financial condition, and ability to achieve our intended business objectives.

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

	For the years end December 31,	
	2022	2021
Net cash (used in)/provided by operating activities	\$ (20,011,706)	16,163,402
Net cash provided by/(used in) investing activities	1,710,139	(13,197,753)
Net cash provided by/(used in) financing activities	33,271,309	(204,237)
Effect of exchange rate on cash and cash equivalents	(593,338)	(42,590)
Change in cash and cash equivalents	14,376,404	2,718,822
Cash and cash equivalents, at the beginning of the period	7,533,934	4,815,112
Cash and cash equivalents, at the end of the period	\$ 21,910,338	7,533,934

Operating Activities

Historically, we have financed our operations primarily through cash generated from operations and borrowings from banks. We currently anticipate that we will be able to meet our needs to fund operations in the next twelve months with operating cash flow and existing cash balances.

We recorded net cash used in operating activities of \$20.0 million for the year ended December 31, 2022. The difference between our net loss of \$20.3 million and the net cash used in operating activities was primarily due to (i) an adjustment of \$1.1 million in non-cash items, which mainly consisted of depreciation and amortization of \$1.3 million, provision for doubtful accounts of \$0.4 million, deferred tax benefits of \$0.1 million and change in fair value of warrant liabilities of \$0.7 million, (ii) an increase of accounts receivable of \$2.2 million, and (iii) an increase of prepayments and other current assets of \$0.8 million, and was partially offset by an increase of accounts payable of \$2.1 million and advances from customers of \$0.4 million.

Net cash provided by operating activities for the year ended December 31, 2021 was \$16.2 million. The difference between our net income of \$12.8 million and the net cash generated from operating activities was primarily due to (i) an adjustment of \$1.0 million in non-cash items, which mainly consisted of depreciation and amortization of \$1.0 million, (ii) a decrease of accounts receivable of \$1.8 million and a decrease of prepayment and other current assets of \$0.7 million, (iii) a decrease of inventory of \$0.4 million, and was partially offset by a decrease of accounts payable of \$0.9 million.

Investing Activities

Net cash provided by investing activities was \$1.7 million for the year ended December 31, 2022, primarily due to the loan repayment from third parties of \$3.5 million, partially offset by the loan proceeds to third parties of \$1.5 million and purchase of property and equipment of \$0.3 million.

Net cash used in investing activities was \$13.2 million for the year ended December 31, 2021, primarily due to (i) payments to related parties for the business acquisition of \$7.8 million, (ii) loan proceeds to third parties of \$14.2 million, partially offset by loan repayment from third parties of \$9.1 million.

Financing Activities

Net cash provided by financing activities for the year ended December 31, 2022 was \$33.3 million, primarily due to an increase in the proceeds from capital contribution in reverse capitalization of \$33.2 million.

Net cash used in financing activities for the year ended December 31, 2021 was \$0.2 million, primarily due to the repayments to related parties of \$1.7 million offset by the repayments from related parties of \$1.4 million.

Off-Balance Sheet Arrangements

We do not have any off-balance sheet arrangements that are currently material or reasonably likely to be material to our financial position or results of operations.

Item 7A. Quantitative and Qualitative Disclosures About Market Risk.

Not required for smaller reporting companies.

Item 8. Financial Statements and Supplementary Data.

MICROCLOUD HOLOGRAM INC.

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REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

To the shareholders and the board of directors of MicroCloud Hologram Inc. (formerly known as Golden Path Acquisition Corporation)

Opinion on the Financial Statements

We have audited the accompanying consolidated balance sheets of MicroCloud Hologram Inc. (formerly known as Golden Path Acquisition Corporation) (the “Company”) as of December 31, 2022 and 2021, the related consolidated statements of income and comprehensive income, changes in shareholders’ equity, and cash flows, for the years ended December 31, 2022 and 2021, and the related notes (collectively referred to as the “financial statements”). In our opinion, the financial statements present fairly, in all material respects, the consolidated results of its operations and its cash flows for the years ended December 31, 2022 and 2021, in conformity with accounting principles generally accepted in the United States of America.

Basis for Opinion

These financial statements are the responsibility of the Company’s management. Our responsibility is to express an opinion on the Company’s financial statements based on our audit. We are a public accounting firm registered with the Public Company Accounting Oversight Board (United States) (“PCAOB”) and are required to be independent with respect to the Company in accordance with the U.S. federal securities laws and the applicable rules and regulations of the Securities and Exchange Commission and the PCAOB.

We conducted our audits in accordance with the standards of the PCAOB. Those standards require that we plan and perform the audits to obtain reasonable assurance about whether the financial statements are free of material misstatement, whether due to error or fraud. The Company is not required to have, nor were we engaged to perform, an audit of its internal control over financial reporting. As part of our audits, we are required to obtain an understanding of internal control over financial reporting but not for the purpose of expressing an opinion on the effectiveness of the Company’s internal control over financial reporting. Accordingly, we express no such opinion.

Our audits included performing procedures to assess the risks of material misstatement of the financial statements, whether due to error or fraud, and performing procedures that respond to those risks. Such procedures included examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements. Our audits also included evaluating the accounting principles used and significant estimates made by management, as well as evaluating the overall presentation of the financial statements. We believe that our audits provide a reasonable basis for our opinion.

/s/ AssentSure PAC

Assentsure PAC (id# 6783)

We have served as the Company’s auditor since 2022.

Singapore

March 14, 2023

MICROCLOUD HOLOGRAM INC. AND ITS SUBSIDIARIES
CONSOLIDATED BALANCE SHEETS

	As of December 31,	
	2022	2021
ASSETS		
CURRENT ASSETS		
Cash and cash equivalents	\$ 21,910,338	\$ 7,533,934
Accounts receivable, net	11,650,012	10,711,765
Prepayments and other current assets	894,479	98,063
Due from related parties	8,740	3,139
Loan receivable	-	2,091,844
Inventories, net	254,879	302,178
Total current assets	<u>34,718,448</u>	<u>20,740,923</u>
NON-CURRENT ASSETS		
Property and equipment, net	238,920	46,177
Prepayment and deposits, net	60,460	70,572
Intangible assets, net	2,229,386	3,414,222
Investments in unconsolidated entities	-	251,095
Right-of-use assets, net	589,301	-
Goodwill	3,067,317	3,320,082
Total non-current assets	<u>6,185,384</u>	<u>7,102,148</u>
Total assets	<u>\$ 40,903,832</u>	<u>\$ 27,843,071</u>
LIABILITIES AND SHAREHOLDERS' EQUITY		
CURRENT LIABILITIES		
Accounts payable	\$ 8,874,369	\$ 7,378,490
Advance from customers	493,539	134,761
Other payables and accrued liabilities	1,964,501	1,549,492
Due to related parties	50,745	334,985
Operating lease liabilities - current	231,483	-
Loan payable	59,444	-
Taxes payable	87,319	509,924
Total current liabilities	<u>11,761,400</u>	<u>9,907,652</u>
NON-CURRENT LIABILITIES		
Operating lease liabilities - noncurrent	373,298	-
Deferred tax liabilities	160,430	311,827
Warrant liabilities	61,709	-
Total other liabilities	<u>595,437</u>	<u>311,827</u>
Total liabilities	<u>12,356,837</u>	<u>10,219,479</u>
COMMITMENTS AND CONTINGENCIES		
SHAREHOLDERS' EQUITY		
Ordinary shares, \$0.0001 par value	5,081	13,511
Additional paid-in capital	36,701,010	4,693,914
(Accumulated deficit)/Retained earnings	(9,119,628)	11,584,829
Statutory reserves	1,722,262	1,340,421
Accumulated other comprehensive loss	(805,112)	(9,073)
Total MICROCLOUD HOLOGRAM INC. shareholders' equity	<u>28,503,613</u>	<u>17,623,602</u>
Non-controlling interest	43,382	(10)
Total Equity	<u>28,546,995</u>	<u>17,623,592</u>
Total liabilities and shareholders' equity	<u>\$ 40,903,832</u>	<u>\$ 27,843,071</u>

The accompanying notes are an integral part of these consolidated financial statements.

MICROCLOUD HOLOGRAM INC. AND ITS SUBSIDIARIES
CONSOLIDATED STATEMENTS OF INCOME AND COMPREHENSIVE INCOME

	Years ended December 31,	
	2022	2021
OPERATING REVENUES		
Products	\$ 18,518,305	\$ 16,040,124
Services	53,994,530	40,244,193
Total Operating Revenues	<u>72,512,835</u>	<u>56,284,317</u>
COST OF REVENUES		
Products	(15,334,302)	(12,920,058)
Services	(23,999,856)	(4,126,606)
Total Cost of Revenues	<u>(39,334,158)</u>	<u>(17,046,664)</u>
GROSS PROFIT	33,178,677	39,237,653
OPERATING EXPENSES		
Provision for doubtful accounts	(442,335)	(80,875)
Selling expenses	(1,311,399)	(825,055)
General and administrative expenses	(3,408,608)	(3,147,858)
Research and development expenses	(49,230,916)	(22,809,775)
Total operating expenses	<u>(54,393,258)</u>	<u>(26,863,563)</u>
(LOSS)/INCOME FROM OPERATIONS	<u>(21,214,581)</u>	<u>12,374,090</u>
CHANGE IN FAIR VALUE OF WARRANT LIABILITY	656,164	-
OTHER INCOME/(EXPENSE)		
Finance income, net	248,043	98,366
Impairment loss for unconsolidated entities	(237,777)	-
Other income, net	146,154	152,843
Total other income, net	<u>156,420</u>	<u>251,209</u>
(LOSS)/PROFIT BEFORE INCOME TAXES	<u>(20,401,997)</u>	<u>12,625,299</u>
BENEFIT FOR INCOME TAX	<u>122,773</u>	<u>124,732</u>
NET (LOSS)/INCOME	<u>\$ (20,279,224)</u>	<u>\$ 12,750,031</u>
LESS: NET INCOME/(LOSS) ATTRIBUTABLE TO NON-CONTROLLING INTEREST	<u>43,392</u>	<u>(10)</u>
NET (LOSS)/INCOME ATTRIBUTABLE TO MICROCLOUD HOLOGRAM INC. ORDINARY SHAREHOLDERS	<u>\$ (20,322,616)</u>	<u>\$ 12,750,041</u>
OTHER COMPREHENSIVE INCOME/(LOSS)		
Foreign currency translation adjustment	147,929	(5,025)
COMPREHENSIVE (LOSS)/INCOME	<u>\$ (20,131,295)</u>	<u>\$ 12,745,006</u>
LESS: COMPREHENSIVE INCOME/(LOSS) ATTRIBUTABLE TO NON-CONTROLLING INTEREST	<u>43,392</u>	<u>(10)</u>
COMPREHENSIVE (LOSS)/INCOME ATTRIBUTABLE TO MICROCLOUD HOLOGRAM INC. ORDINARY SHAREHOLDERS	<u>\$ (20,174,687)</u>	<u>\$ 12,745,016</u>
WEIGHTED AVERAGE NUMBER OF ORDINARY SHARES		
Weighted average number of ordinary shares outstanding-Basic and diluted	<u>20,071,595</u>	<u>132,000,000</u>
EARNINGS PER SHARE ATTRIBUTABLE TO MC HOLOGRAM INC. ORDINARY SHAREHOLDERS		
(Loss)/Earnings per ordinary share - Basic and diluted	\$ (1.01)	\$ 0.10

The accompanying notes are an integral part of these consolidated financial statements.

MICROCLOUD HOLOGRAM INC. AND ITS SUBSIDIARIES
CONSOLIDATED STATEMENTS OF CHANGES IN SHAREHOLDERS' EQUITY

	Ordinary shares		Additional paid-in capital	Retained earnings		Accumulated other comprehensive (loss)	Non- controlling Interest	Total
	Shares	Par value		Statutory reserves	Unrestricted			
Balance as of January 1, 2021	132,000,000	\$ 13,511	\$ 4,693,914	\$ 910,636	\$ (735,427)	\$ (4,048)	\$ -	\$ 4,878,586
Net income/(loss)	-	-	-	-	12,750,041	-	(10)	12,750,031
Statutory reserves	-	-	-	429,785	(429,785)	-	-	-
Foreign currency translation	-	-	-	-	-	(5,025)	-	(5,025)
Balance as of December 31, 2021	132,000,000	13,511	4,693,914	1,340,421	11,584,829	(9,073)	(10)	17,623,592
Net (loss)/income	-	-	-	-	(20,322,616)	-	43,392	(20,279,224)
Statutory reserves	-	-	-	381,841	(381,841)	-	-	-
Cancellation of the outstanding shares in MC held by former MC shareholders	(132,000,000)	(13,511)	-	-	-	-	-	(13,511)
Initial common shares of Golden Path	1,708,000	171	-	-	-	-	-	171
Initial common shares of Golden Path subject to possible redemption	5,750,000	575	-	-	-	-	-	575
Shares converted from rights	602,050	60	-	-	-	-	-	60
Issuance of common stock to Finder	380,000	38	-	-	-	-	-	38
Issuance of common stock as consideration of business combination	44,554,455	4,455	32,007,096	-	-	-	-	32,011,551
Redemption of common stock	(2,182,470)	(218)	-	-	-	-	-	(218)
Foreign currency translation	-	-	-	-	-	(796,039)	-	(796,039)
Balance as of December 31, 2022	<u>50,812,035</u>	<u>\$ 5,081</u>	<u>\$ 36,701,010</u>	<u>\$ 1,722,262</u>	<u>\$ (9,119,628)</u>	<u>\$ (805,112)</u>	<u>\$ 43,382</u>	<u>\$ 28,546,995</u>

The accompanying notes are an integral part of these consolidated financial statements.

MICROCLOUD HOLOGRAM INC. AND ITS SUBSIDIARIES
CONSOLIDATED STATEMENTS OF CASH FLOWS

	Years ended December 31,	
	2022	2021
CASH FLOWS FROM OPERATING ACTIVITIES:		
Net (loss)/income	\$ (20,279,224)	\$ 12,750,031
Adjustments to reconcile net income to net cash provided by operating activities:		
Depreciation and amortization	1,017,125	1,047,427
Amortization of operating lease right-of-use assets	236,154	-
Provision for doubtful accounts	442,335	80,875
Deferred tax benefits	(130,848)	(132,130)
Provision for inventory reserve	-	13,818
Interest income	-	(98,249)
Impairment loss for unconsolidated entities	237,777	-
Loss on disposal fixed assets	488	57,381
Change in fair value of warrant liabilities	(656,164)	-
Change in operating assets and liabilities:		
Accounts receivable	(2,239,932)	1,801,544
Prepayment and other current assets	(823,976)	678,662
Inventories	24,901	448,062
Prepayments and deposits	4,858	27,832
Accounts payable	2,109,052	(943,581)
Operating lease liabilities	(220,287)	-
Advance from customers	378,262	(109,613)
Other payables and accrued liabilities	281,149	324,305
Taxes payable	(393,376)	217,038
Net cash (used in)/provided by operating activities	(20,011,706)	16,163,402
CASH FLOWS FROM INVESTING ACTIVITIES:		
Payments for business acquisition payable - related parties	-	(7,846,707)
Loan to third parties	(1,536,561)	(14,166,273)
Loan repayment from third parties	3,517,456	9,087,520
Purchases of property and equipment	(270,756)	(21,292)
Cash received on fixed assets disposal	-	94
Investments in unconsolidated entities	-	(251,095)
Net cash provided by/(used in) investing activities	1,710,139	(13,197,753)
CASH FLOWS FROM FINANCING ACTIVITIES:		
Amounts advanced from related parties	-	283,436
Amounts advanced to related parties	(5,986)	-
Repayments from related parties	-	1,365,811
Repayments to related parties	(55)	(1,670,263)
Repayments of third-party loan	(13,375)	(183,221)
Cash received from recapitalization	33,216,420	-
Proceeds of third-party loan	74,305	-
Net cash provided by/(used in) financing activities	33,271,309	(204,237)
EFFECT OF EXCHANGE RATE ON CASH AND CASH EQUIVALENTS	(593,338)	(42,590)
CHANGE IN CASH AND CASH EQUIVALENTS	14,376,404	2,718,822
CASH AND CASH EQUIVALENTS, beginning of period	7,533,934	4,815,112
CASH AND CASH EQUIVALENTS, end of period	\$ 21,910,338	\$ 7,533,934
SUPPLEMENTAL CASH FLOW INFORMATION:		
Cash paid for income tax	\$ 609	\$ 11,306
Cash paid for interest expense	\$ 5,522	\$ 3,166
NON-CASH INVESTING AND FINANCING ACTIVITIES		
Initial recognition of right-of-use assets and lease liabilities	\$ 840,185	\$ -

The accompanying notes are an integral part of these consolidated financial statements.

MICROCLOUD HOLOGRAM INC. AND ITS SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Note 1 — Nature of business and organization

MicroCloud Hologram Inc. (formerly known as Golden Path Acquisition Corporation) (“Golden Path” or “the Company”), a Cayman Islands exempted company, is a leading holographic digitalization technology service provider in China, which is committed to providing first-class holographic technology services to the customers worldwide.

MC Hologram Inc. (“MC”) is a holding company incorporated on November 10, 2020, under the laws of the Cayman Islands. The Company has no substantive operations other than holding all of the outstanding share capital of Quantum Edge HK Limited (“Mengyun HK”), which was established in Hong Kong on November 25, 2020. Mengyun HK is also a holding company holding all of the outstanding equity of Beijing Xihuiyun Technology Co., Ltd (“Beijing Xihuiyun”) which was established on May 11, 2021 under the law of the People’s Republic of China (“PRC” or “China”).

Reorganization

On September 10, 2021, MC completed a reorganization of entities under common control of its then existing shareholders, who collectively owned majority of the equity interests of MC. MC, Mengyun HK and Beijing Xihuiyun were established as the holding companies of Shanghai Mengyun. All of these entities are under common control as the same group of shareholders held more than 50% of the voting ownership interest of each entity which results in the consolidation of Shanghai Mengyun and its subsidiaries which have been accounted for as a reorganization of entities under common control at carrying value.

After the reorganization, MC owns 100% equity interests of Mengyun HK, Mengyun HK owns 100% equity interests of Beijing Xihuiyun. Mengyun HK and Beijing Xihuiyun together own 100% equity interest of Shanghai Mengyun. The consolidation of the Company and its subsidiaries has been accounted for at historical cost and prepared on the basis as if the aforementioned transactions had become effective as of the beginning of the first period presented in the consolidated financial statements.

The Company, through its wholly owned subsidiaries, are mainly engaged in holographic technology: (1) Holographic solutions, and (2) Holographic technology service. The majority of Company’s business activities are carried out in Shenzhen, China.

As of December 31, 2022, there are twenty-one subsidiaries under the consolidation of the Shanghai Mengyun.

In March 2016, Shanghai Mengyun established wholly owned subsidiaries Shenzhen Mengyun Holographic Technology Co.,Ltd. (“Shenzhen Mengyun”) and Mcloudvr Software Network Technology Co., Limited(“Mcloudvr Software”). Shenzhen Mengyun established Horgos Weiyi Software Technology Co., Ltd. (“Horgos Weiyi”) on September 6, 2016 and Shenzhen Yunao Hongxiang Technology Co., Ltd. (“Shenzhen Yunao”) on December 3, 2021. Shenzhen Mengyun and subsidiaries engaged in holographic integrated entertainment solutions.

On June 26, 2017, Shanghai Mengyun acquired Shenzhen Qianhaiyoushi Technology Co., Ltd. (“Qianhai Youshi”) and Qianhai Youshi’s subsidiary Kashgar Youshi Information Technology Co., Ltd. (“Kashgar Youshi”). Qianhai Youshi established wholly owned subsidiaries Horgos Youshi Information Technology Co., Ltd. (“Horgos Youshi”) in November 2020 and acquired Shenzhen Yijia Network Technology Co., Ltd. (“Yijia Network”) in July 2020. Qianhai Youshi and subsidiaries are mainly engaged in holographic content sales and SDK software services.

On July 1, 2020, Shenzhen Mengyun acquired Shenzhen Bowei BroadVision Technology Co., Ltd. (“Shenzhen Bowei”), Shenzhen Bowei established wholly owned subsidiaries Horgos BroadVision Technology Co., Ltd. (“Horgos Bowei”) and Broadvision Intelligence (Hong Kong), Ltd. (“Broadvision HK”) in November 2020. Shenzhen Bowei and subsidiaries are mainly engaged in holographic printed circuit board assembly (“PCBA”) solutions.

On October 1, 2020, Shenzhen Mengyun acquired Shenzhen Tianyuemeng Technology Co., Ltd. (“Shenzhen Tianyuemeng”). Shenzhen Tianyuemeng established Horgos Tianyuemeng Technology Co., Ltd. (“Horgos Tianyuemeng”) in October 2020 and Horgos Tianyuemeng Technology Co., Ltd.-Shenzhen Branch (“Horgos Tianyuemeng-SZ”) in March 2021, which was later dissolved on December 10, 2021. Shenzhen Tianyuemeng and subsidiary engaged in holographic advertising services and SDK software services.

On October 5, 2020, Shenzhen Mengyun acquired Mcloudvr Software Network Technology HK (“Mcloudvr HK”) for no consideration, which engaged in holographic integrated entertainment solutions, from the majority shareholder of Shanghai Mengyun, as of the acquisition date, there is no operation for Mcloudvr HK. Mcloudvr HK and another two investors established Ocean Cloud Technology Co., Limited. (“Ocean HK”) in November 2021 and Ocean HK established Shenzhen Haiyun Xinsheng Technology Co., Ltd. (“Shenzhen Haiyun”) in December 2021. On January 18, 2022, Shenzhen Haiyun acquired Shenzhen Tata Mutual Entertainment Information Technology Co., Ltd. (“Shenzhen Tata”) for RMB 4 (USD 0.62) from four third parties. Shenzhen Tata further established Horgos Tata Mutual Entertainment Information Technology Co., Ltd. (“Horgos Tata”) on March 22, 2022. On June 30, 2022, Shenzhen Haiyun transferred Shenzhen Tata and its subsidiary to an third party for RMB 1 (USD 0.15). On January 29, 2022, Shenzhen Haiyun established Shenzhen Youmi Technology Co., Ltd. (“Shenzhen Youmi”) under the law of PRC. Shenzhen Youmi further established Horgos Youmi Technology Co., Ltd. (“Horgos Youmi”) on March 17, 2022. On February 18, 2022, Shenzhen Haiyun established Shenzhen Yushian Technology Co., Ltd. (“Shenzhen Yushi”) under the law of PRC. Shenzhen Yushi further established Horgos Yushian Technology Co., Ltd. (“Horgos Yushi”) on March 24, 2022.

On June 24, 2021 Shanghai Mengyun established Quanyou Vision Technology Co., Ltd (“Shanghai Quanyou”), which primarily engages in software development and was later dissolved on September 1, 2021.

On July 31, 2022, Shenzhen Haiyun acquired Beijing Weixiaohai Technology Co., Ltd. (“Beijing Weixiaohai”), which engaged in advertising service. On October 1, 2022, Shenzhen Haiyun transferred Beijing Weixiaohai to a third party for RMB 1 (USD 0.14).

The Company’s main recognized revenue producing assets includes patented holographic software and technology, and customer relationship. The unrecognized revenue producing assets include digital product copyright and licensing.

The accompanying consolidated financial statements reflect the activities of the Company and each of the following entities as of December 31, 2022:

Name	Background	Ownership
Quantum Edge HK Limited (“Mengyun HK”)	<ul style="list-style-type: none"> - A Hong Kong company - Formed on November 25, 2020 - Registered capital of HK 10,000 (USD 1,290) - A holding company 	100% owned by MC
Beijing Xihuiyun Technology Co., Ltd (“Beijing Xihuiyun”)	<ul style="list-style-type: none"> - PRC limited liability company - Formed on May 11, 2021 - Registered capital of RMB 207,048,000 (USD 30,000,000) - A holding company 	100% owned by Mengyun HK
Shanghai Mengyun Holographic Technology Co., Ltd. (“Shanghai Mengyun”)	<ul style="list-style-type: none"> - A PRC limited liability company - Formed on March 24, 2016 - Registered capital of RMB 27,000,000 (USD 4,316,665) - Primarily engages in holographic integrated solutions. 	81.63% owned by Beijing Xihuiyun and 18.37% owned by Mengyun HK

Name	Background	Ownership
Shenzhen Mengyun Holographic Technology Co., Ltd. (“Shenzhen Mengyun”)	<ul style="list-style-type: none"> - A PRC limited liability company - Formed on March 15, 2016 - Registered capital of RMB 10,000,000 (USD 1,538,461) - Primarily engages in holographic integrated solutions. 	100% owned by Shanghai Mengyun
Shenzhen Qianhai Youshi Technology Co., Ltd. (“Qianhai Youshi”)	<ul style="list-style-type: none"> - A PRC limited liability company - Formed on August 14, 2014 - Registered capital of RMB 10,000,000 (USD 1,538,461) - Primarily engages in holographic content sales and SDK software services. 	100% owned by Shanghai Mengyun
Mcloudvr Software Network Technology Co., Limited (“Mcloudvr Software”)	<ul style="list-style-type: none"> - A Seychelles Islands company - Formed on February 25, 2016 - Registered capital of USD 50,000 (No operation and dissolved in May 2019) 	100% owned by Shanghai Mengyun
Shenzhen Yijia Network Technology Co., Ltd. (“Yijia Network”)	<ul style="list-style-type: none"> - A PRC limited liability company - Formed on September 25, 2008 - Registered capital of RMB 10,000,000 (USD 1,538,461) - Primarily engages in holographic content sales and SDK software services. 	100% owned by Qianhai Youshi
Horgos Youshi Network Technology Co., Ltd. (“Horgos Youshi”)	<ul style="list-style-type: none"> - A PRC limited liability company - Formed on November 2, 2020 - Registered capital of RMB 10,000,000 (USD 1,538,461) - Primarily engages in holographic content sales and SDK software services. 	100% owned by Qianhai Youshi
Horgos Weiyi Software Technology Co., Ltd. (“Horgos Weiyi”)	<ul style="list-style-type: none"> - A PRC limited liability company - Formed on September 6, 2016 - Registered capital of RMB 10,000,000 (USD 1,538,461) - Primarily engages in holographic integrated solutions. 	100% owned by Shenzhen Mengyun
Shenzhen BroadVision Technology Co., Ltd. (“Shenzhen Bowei”)	<ul style="list-style-type: none"> - A PRC limited liability company - Formed on April 12, 2016 - Registered capital of RMB 10,000,000 (USD 1,538,461) - Primarily engages in holographic PCBA solutions. 	100% owned by Shenzhen Mengyun
Mcloudvr Software Network Technology HK Co., Limited (“Mcloudvr HK”)	<ul style="list-style-type: none"> - A Hong Kong company - Formed on February 2, 2016 - Registered capital of HKD 100,000 (USD 12,882) - Primarily engages in holographic integrated solutions. 	100% owned by Shenzhen Mengyun

Name	Background	Ownership
Shenzhen Tianyuemeng Technology Co., Ltd. ("Shenzhen Tianyuemeng")	<ul style="list-style-type: none"> - A PRC limited liability company - Formed on January 6, 2014 - Registered capital of RMB 20,000,000 (USD 3,076,922) - Primarily engages in holographic advertising services. 	100% owned by Shenzhen Mengyun
Shenzhen Yunao Hongxiang Technology Co., Ltd. ("Shenzhen Yunao")	<ul style="list-style-type: none"> - A PRC limited liability company - Formed on December 3, 2021 - Registered capital of RMB 5,000,000 (USD 784,671) - Advertising service 	100% owned by Shenzhen Mengyun
Broadvision Intelligence (Hong Kong), Ltd. ("Broadvision HK")	<ul style="list-style-type: none"> - A Hong Kong company - Formed on November 5, 2020 - Registered capital of HKD 10,000 (USD 1,288) - No operation 	100% owned by Shenzhen Bowei
Horgos BroadVision Technology Co., Ltd. ("Horgos Bowei")	<ul style="list-style-type: none"> - A PRC limited liability company - Formed on November 4, 2020 - Registered capital of RMB 1,000,000 (USD 153,846) - Primarily engages in holographic PCBA solutions. 	100% owned by Shenzhen Bowei
Horgos Tianyuemeng Technology Co., Ltd. ("Horgos Tianyuemeng")	<ul style="list-style-type: none"> - A PRC limited liability company - Formed on October 23, 2020 - Registered capital of RMB 1,000,000 (USD 153,846) - Primarily engages in SDK software services. 	100% owned by Shenzhen Tianyuemeng
Horgos Tianyuemeng Technology Co., Ltd.- Shenzhen Branch ("Horgos Tianyuemeng-SZ")	<ul style="list-style-type: none"> - A PRC limited liability company - Formed on March 19, 2021 - Registered capital of RMB 1,000,000 (USD 153,846) - No operation - Dissolved on December 10, 2021 	100% owned by Horgos Tianyuemeng
Shanghai Mengyun Quanyou Vision Technology Co., Ltd ("Shanghai Quanyou")	<ul style="list-style-type: none"> - A PRC limited liability company - Formed on June 24, 2021 - Registered capital of RMB 1,000,000 (USD 153,846) - No operation - Dissolved on September 1, 2021 	100% owned by Shanghai Mengyun
Ocean Cloud Technology Co., Limited. ("Ocean HK")	<ul style="list-style-type: none"> - A Hong Kong company - Formed on November 4, 2021 - Registered capital of HKD 10,000 (USD 1,288) - No operation 	56% owned by Mcloudvr HK

Name	Background	Ownership
Shenzhen Haiyun Xinsheng Technology Co., Ltd. (“Shenzhen Haiyun”)	<ul style="list-style-type: none"> - A PRC limited liability company - Formed on December 3, 2021 - Registered capital of RMB 50,000,000 (USD 7,846,707) - No operation 	100% owned by Ocean HK
Shenzhen Tata Mutual Entertainment Information Technology Co., Ltd. (“Shenzhen Tata”)	<ul style="list-style-type: none"> - A PRC limited liability company - Formed on January 16, 2020 - Sold on June 30, 2022 - Registered capital of RMB 5,000,000 (USD 784,671) 	100% owned by Shenzhen Haiyun
Shenzhen Youmi Technology Co., Ltd. (“Shenzhen Youmi”)	<ul style="list-style-type: none"> - A PRC limited liability company - Formed on March 17, 2022 - Registered capital of RMB 5,000,000 (USD 784,671) - Game promotion and advertising service 	100% owned by Shenzhen Haiyun
Shenzhen Yushian Technology Co., Ltd. (“Shenzhen Yushi”)	<ul style="list-style-type: none"> - A PRC limited liability company - Formed on February 18, 2022 - Registered capital of RMB 5,000,000 (USD 784,671) - Advertising service 	100% owned by Shenzhen Haiyun
Horgos Tata Mutual Entertainment Information Technology Co., Ltd. (“Horgos Tata”)	<ul style="list-style-type: none"> - A PRC limited liability company - Formed on March 22, 2022 - Sold on June 30, 2022 - Registered capital of RMB 5,000,000 (USD 784,671) - Game promotion service 	100% owned by Shenzhen Tata
Horgos Youmi Technology Co., Ltd. (“Horgos Youmi”)	<ul style="list-style-type: none"> - A PRC limited liability company - Formed on January 29, 2022 - Registered capital of RMB 5,000,000 (USD 784,671) - Advertising service 	100% owned by Shenzhen Youmi
Horgos Yushian Technology Co., Ltd. (“Horgos Yushi”)	<ul style="list-style-type: none"> - A PRC limited liability company - Formed on March 24, 2022 - Registered capital of RMB 5,000,000 (USD 784,671) - Advertising service 	100% owned by Shenzhen Yushi
Kashgar Youshi Information Technology Co., Ltd. (“Kashgar Youshi”)	<ul style="list-style-type: none"> - A PRC limited liability company - Formed on May 5, 2016 - Registered capital of RMB 5,000,000 (USD 769,230) - Primarily engages in holographic content sales and SDK software services. 	100% owned by Qianhai Youshi
Beijing Weixiaohai Technology Co., Ltd. (“Beijing Weixiaohai”)	<ul style="list-style-type: none"> - A PRC limited liability company - Formed on April 17, 2019 - Registered capital of RMB 8,000,000 (USD 1,124,622) - Primarily engages in Advertising service. 	100% owned by Shenzhen Haiyun

Reverse Recapitalization with Golden Path Acquisition Corporation

On September 16, 2022, in accordance with the Business Combination and Merger Agreement dated September 10, 2021 (as amended on August 5, 2022 and August 10, 2022, the “Merger Agreement”), by and among Golden Path, Golden Path Merger Sub Corporation (“Golden Path Merger Sub”), the closing of the Business Combination (the “Closing”) occurred, pursuant to which Golden Path issued 44,554,455 ordinary shares to MC shareholders. Prior to the Transaction Close, the holders of Golden Path ordinary shares had the right to redeem all or a portion of their Golden Path ordinary shares calculated in accordance with Golden Path’s governing documents. At the Closing, each of Golden Path’s public units separated into its components consisting of one ordinary share, one warrant and one right, as a result, the units no longer trade as a separate security. As a result of the closing of the Business Combination, after reflecting the actual redemption of 2,182,470 shares by Golden Path shareholders, MC owns approximately 87.68% of the outstanding Golden Path ordinary shares, the former shareholders of Golden Path owns approximately 11.57% of the outstanding Golden Path ordinary shares, and Peace Asset Management, a private held entity who facilitated the business combination, owns approximately 0.75 % as of December 31, 2022 (not giving effect to any shares issuable to them upon the exercise of any Golden Path warrants). Immediately after giving effect to the Business Combination, MicroCloud has 50,812,035 ordinary shares issued and outstanding, and 6,020,500 warrants outstanding. The proceeds received from the Reverse Recapitalization is \$33.2 million, net of certain transaction costs.

As a result of the consummation of the Business Combination, MC is now a wholly owned subsidiary of the Company, which has changed its name to MicroCloud Hologram Inc.

Following the Closing, on September 19, 2022, the ordinary shares and public warrants outstanding upon the Closing began trading on the NASDAQ Stock Exchange (the “NASDAQ”) under the symbols “HOLO” and “HOLOW,” respectively.

The transaction was accounted for as a “reverse recapitalization” in accordance with accounting principles generally accepted in the United States (“GAAP”) because the primary assets of Golden Path would be nominal following the close of the Merger. Under this method of accounting, Golden Path was treated as the “acquired” company for financial reporting purposes and MC was determined to be the accounting acquirer based on the terms of the Merger and other factors including: (i) MC’s stockholders have a majority of the voting power of the combined company, (ii) MC comprises a majority of the governing body of the combined company, and MC’s senior management comprises all of the senior management of the combined company, and (iii) MC comprises all of the ongoing operations of the combined entity. Accordingly, for accounting purposes, this transaction was treated as the equivalent of the Company issuing shares for the net assets of Golden Path, accompanied by a recapitalization. The shares and net loss per common share, prior to the Reverse Recapitalization, have been retroactively restated as shares reflecting the Exchange Ratio established in the Reverse Recapitalization (1 Golden Path shares for 1 the Company share). The net assets of Golden Path were recorded at historical costs, with no goodwill or other intangible assets recorded. Operations prior to the Reverse Recapitalization are those of MC.

Note 2 — Summary of significant accounting policies

Liquidity

In assessing the Company’s liquidity, the Company monitors and analyses its cash on-hand and its operating and capital expenditure commitments. The Company’s liquidity needs are to meet its working capital requirements, operating expenses and capital expenditure obligations. Cash flow from operations, advance from shareholders, and proceeds from third party loan have been utilized to finance the working capital requirements of the Company. As of December 31, 2022, the Company had cash of USD 21.9 million. The Company’s working capital was approximately USD 23.0 million as of December 31, 2022. The Company believes its revenues and operations will continue to grow and the current working capital is sufficient to support its operations and debt obligations as they become due one year through report date.

Basis of presentation

The accompanying consolidated financial statements of the Company have been prepared in accordance with accounting principles generally accepted in the United States of America (“U.S. GAAP”) and applicable rules and regulations of the Securities and Exchange Commission, regarding financial reporting, and include all normal and recurring adjustments that management of the Company considers necessary for a fair presentation of its financial position and operation results.

Principles of consolidation

The consolidated financial statements include the financial statements of the Company and its subsidiaries. All significant intercompany transactions and balances between the Company and its subsidiaries are eliminated upon consolidation.

Subsidiaries are those entities in which the Company, directly or indirectly, controls more than one half of the voting power; or has the power to govern the financial and operating policies, to appoint or remove the majority of the members of the board of directors, or to cast a majority of votes at the meeting of directors.

Use of estimates and assumptions

The preparation of consolidated financial statements in conformity with U.S. GAAP requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosures of contingent assets and liabilities as of the date of the consolidated financial statements and the reported amounts of revenues and expenses during the periods presented. Significant accounting estimates reflected in the Company’s consolidated financial statements include the useful lives of property and equipment and intangible assets, impairment of long-lived assets and goodwill, allowance for doubtful accounts, revenue recognition, inventory reserve, purchase price allocation for business combination, uncertain tax position, and deferred taxes. Actual results could differ from these estimates.

Foreign currency translation and transaction

The functional currency of the Company, Menyun HK, Broadvision HK, and Mcloudvr HK is in US dollars and the functional currency of the Company’s other subsidiaries are Renminbi (“RMB”), as determined based on the criteria of Accounting Standards Codification (“ASC”) 830 “Foreign Currency Matters”. The reporting currency of the Company is also the RMB.

Monetary assets and liabilities denominated in currencies other than the functional currency are translated into the functional currency at the rates of exchange in place at the balance sheet date. Transactions in currencies other than the functional currency during the year are converted into the functional currency at the applicable rates of exchange prevailing when the transactions occurred. Transaction gains and losses are recognized in the consolidated statement of operations.

In the consolidated financial statements, the financial information of the Company and other entities located outside of the PRC has been translated into RMB. Assets and liabilities of the Company translated from their respective functional currencies to the reporting currency at the exchange rates at the balance sheet dates, equity accounts are translated at historical exchange rates and revenues and expenses are translated at the average exchange rates in effect during the reporting period. The resulting foreign currency translation adjustment are recorded in other comprehensive income (loss).

The balance sheet amounts, with the exception of shareholders’ equity for MC, Mengyun HK and Mcloudvr HK at December 31, 2022 and 2021 were translated at RMB 1.00 to USD 0.1450 and to USD 0.1569, respectively. The average translation rates applied to statement of income accounts for the years ended December 31, 2022 and 2021 were RMB 1.00 to USD 0.1486, and USD 0.1569, respectively. The shareholders’ equity accounts were stated at their historical rate. Cash flows are also translated at average translation rates for the periods, therefore, amounts reported on the statement of cash flows will not necessarily agree with changes in the corresponding balances on the consolidated balance sheet.

Cash and cash equivalents

Cash and cash equivalents primarily consist of bank deposits with original maturities of six months or less, which are unrestricted as to withdrawal and use. Cash and cash equivalents also consist of funds earned from the Company's operating revenues which were held at third party platform fund accounts which are unrestricted as to immediate use or withdrawal. The Company maintains most of its bank accounts in the PRC.

Accounts receivable, net

Accounts receivables include trade accounts due from customers. Accounts are considered overdue after 90 days. Management reviews its receivables on a regular basis to determine if the bad debt allowance is adequate, and provides an allowance when necessary. The allowance is based on management's best estimates of specific losses on individual customer exposures, as well as the historical trends of collections. Account balances are charged off against the allowance after all means of collection have been exhausted and the likelihood of collection is not probable. As of December 31, 2022 and 2021, the Company has \$705,060 and \$296,051 of allowance for doubtful accounts for accounts receivable, respectively.

Inventories, net

Inventories are comprised of raw material and finish goods are stated at the lower of cost or net realizable value using the weighted average method. Cost of finished goods comprise direct material and outsourced assembling costs. Management reviews inventories for obsolescence and cost in excess of net realizable value periodically when appropriate and records a reserve against the inventory when the carrying value exceeds net realizable value. As of December 31, 2022 and 2021, the Company has an allowance of \$25,584 and \$27,692, respectively.

Prepayments, other current assets and deposits, net

Prepayments and other current assets are mainly payments made to vendors or service providers for purchasing goods or services that have not been received or provided, deposits for rent and utilities and employee advances. This amount is refundable and bears no interest. Prepayment and deposit are classified as either current or non-current based on the terms of the respective agreements. These advances are unsecured and are reviewed periodically to determine whether their carrying value has become impaired. As of December 31, 2022 and 2021, the Company made \$478 and \$518 allowance for noncurrent prepayments and deposits, respectively.

Due from related parties

Due from related parties primarily includes overpayment of acquisition payable to the prior owner of the entity, which the Company acquired in 2017 and advances to the Company's equity investment investee for operational purpose, interest free and due on demand. Management regularly reviews the aging of receivables and changes in payment trends and records allowances when management believes collection of amounts due are at risk. Accounts considered uncollectable are written off against allowances after exhaustive efforts at collection are made.

Loans receivable

Loans receivable consists of two loans to third parties, which is carried at cost and includes unpaid principal and interest balances. The Company maintains an allowance for loan losses based on management's estimate of credit losses inherent in the Company's loans receivable. As of December 31, 2022, all the loan balance and related accrued interest was fully received. There was no allowance necessary as of December 31, 2022 and 2021.

Property and equipment, net

Property and equipment are stated at cost less accumulated depreciation and impairment if applicable. Depreciation is computed using the straight-line method over the estimated useful lives of the assets with a 5% residual value. The estimated useful lives are as follows:

	Useful Life
Office equipment	3 years
Mechanical equipment	3 – 5 years
Electronic equipment	3 – 5 years

The cost and related accumulated depreciation of assets sold or otherwise retired are eliminated from the accounts and any gain or loss is included in the consolidated statements of income and comprehensive income. Expenditures for maintenance and repairs are charged to earnings as incurred, while additions, renewals and betterments, which are expected to extend the useful life of assets, are capitalized. The Company also re-evaluates the periods of depreciation to determine whether subsequent events and circumstances warrant revised estimates of useful lives.

Intangible assets, net

The Company's intangible assets with definite useful lives primarily consist of customer relationships, software, and non-competing agreements. Identifiable intangible assets resulting from the acquisitions of subsidiaries accounted for using the purchase method of accounting are estimated by management based on the fair value of assets received. The Company amortizes its intangible assets with definite useful lives over their estimated useful lives and reviews these assets for impairment. The Company typically amortizes its intangible assets with definite useful lives on a straight-line basis over the shorter of the contractual terms or the estimated useful lives of three to ten years.

Goodwill

Goodwill represents the excess of the consideration paid for an acquisition over the fair value of the net identifiable assets of the acquired subsidiaries at the date of acquisition. Goodwill is not amortized and is tested for impairment at least annually, more often when circumstances indicate impairment may have occurred. Goodwill is carried at cost less accumulated impairment losses. If impairment exists, goodwill is immediately written down to its fair value and the loss is recognized in the consolidated statements of income and comprehensive income. Impairment losses on goodwill are not reversed.

The Company has the option to assess qualitative factors to determine whether it is necessary to perform further impairment testing in accordance with ASC 350-20, as amended by ASU 2017-04. If the Company believes, as a result of the qualitative assessment, that it is more likely than not that the fair value of the reporting unit is less than its carrying amount, then the impairment test described below is required. The Company compares the fair values of each reporting unit to its carrying amount, including goodwill. If the fair value of the reporting unit exceeds its carrying amount, goodwill is not considered to be impaired. If the carrying amount of a reporting unit exceeds its fair value, impairment is recognized for the difference, limited to the amount of goodwill recognized for the reporting unit. Estimating fair value is performed by utilizing various valuation techniques, with the primary technique being discounted cash flows.

Impairment for long-lived assets

Long-lived assets, including property and equipment and intangible assets with finite lives are reviewed for impairment whenever events or changes in circumstances (such as a significant adverse change to market conditions that will impact the future use of the assets) indicate that the carrying value of an asset may not be recoverable. The Company assesses the recoverability of the assets based on the undiscounted future cash flows the assets are expected to generate and recognize an impairment loss when estimated undiscounted future cash flows expected to result from the use of the asset plus net proceeds expected from disposition of the asset, if any, are less than the carrying value of the asset. If an impairment is identified, the Company would reduce the carrying amount of the asset to its estimated fair value based on a discounted cash flows approach or, when available and appropriate, to comparable market values. For the years ended December 31, 2022 and 2021, no impairment of long-lived assets was recognized.

Investments in unconsolidated entities

The Company's investments in unconsolidated entities consist of equity investments without readily determinable fair value.

The Company follows ASC Topic 321, Investments Equity Securities ("ASC 321") to account for investments that do not have readily determinable fair value and over which the Company does not have significant influence. The Company uses the measurement alternative to measure those investments at cost, less any impairment, plus or minus changes resulting from observable price changes in orderly transactions for identical or similar investments of the same issuer, if any.

An impairment charge is recorded if the carrying amount of the investment exceeds its fair value and this condition is determined to be other-than temporary. For the years ended of December 31, 2022 and 2021, the Company made \$237,777 and Nil impairment for investments in unconsolidated entities, respectively.

Business combination

The purchase price of an acquired company is allocated between tangible and intangible assets acquired and liabilities assumed from the acquired business based on their estimated fair values, with the residual of the purchase price recorded as goodwill. Transaction costs associated with business combinations are expensed as incurred, and are included in general and administrative expenses in the Company's consolidated statements of income and comprehensive income. The results of operations of the acquired business are included in the Company's operating results from the date of acquisition.

Fair value measurement

U.S. GAAP regarding fair value of financial instruments and related fair value measurements defines financial instruments and requires disclosure of the fair value of financial instruments held by the Company.

U.S. GAAP defines fair value, establishes a three-level valuation hierarchy for disclosures of fair value measurement and enhances disclosure requirements for fair value measures. The three levels are defined as follow:

- Level 1 inputs to the valuation methodology are quoted prices (unadjusted) for identical assets or liabilities in active markets.
- Level 2 inputs to the valuation methodology include quoted prices for similar assets and liabilities in active markets, and inputs that are observable for the assets or liability, either directly or indirectly, for substantially the full term of the financial instruments.
- Level 3 inputs to the valuation methodology are unobservable and significant to the fair value.

Financial instruments included in current assets and current liabilities are reported in the consolidated balance sheets at face value or cost, which approximate fair value because of the short period of time between the origination of such instruments and their expected realization and their current market rates of interest.

Noncontrolling Interests

The Company's noncontrolling interests represent the minority shareholders' ownership interests related to the Company's subsidiaries, including 44% for Ocean HK and its subsidiaries. The noncontrolling interests are presented in the consolidated balance sheets separately from equity attributable to the shareholders of the Company. Noncontrolling interests in the results of the Company are presented on the consolidated statement of income as allocations of the total income or loss for the year ended December 31, 2022 between noncontrolling interest holders and the shareholders of the Company.

Common Stock Warrants

The Company accounts for common stock warrants as either equity instruments or liabilities in accordance with ASC 480, *Distinguishing Liabilities from Equity* (“ASC 480”), depending on the specific terms of the warrant agreement.

Revenue recognition

Effective January 1, 2019, the Company adopted ASC Topic 606 using the modified retrospective adoption method. Based on the requirements of ASC Topic 606, revenue is recognized when control of the promised goods or services is transferred to the customers in an amount that reflects the consideration the Company expects to be entitled to receive in exchange for those goods or services. The Company primarily sells its products to hospitals and medical equipment companies. Revenue is recognized when the following 5-step revenue recognition criteria are met:

- 1) Identify the contract with a customer
- 2) Identify the performance obligations in the contract
- 3) Determine the transaction price
- 4) Allocate the transaction price
- 5) Recognize revenue when or as the entity satisfies a performance obligation

The Company’s revenue recognition policies effective upon the adoption of ASC 606 are as follows:

(i) Holographic Solutions

a. Holographic Technology LiDAR Products

The Company generates LiDAR revenue through selling integrated circuit board embedded with holographic software. The Company typically enters into written contracts with its customer where the rights of the parties, including payment terms, are identified and sales prices to the customers are fixed with no separate sales rebate, discount, or other incentive and no right of return exists on sales of inventory. The Company’s performance obligation is to deliver products according to contract specifications. The Company recognizes product revenue at a point in time when the control of products is transferred to customers.

b. Holographic Technology Intelligence Vision software and Technology Development Service

The Company generates revenue by developing ADAS software and technology, which are generally on a fixed-priced basis. The Company has no alternative use for the customized software and the Company has an enforceable right to payment for performance completed to date. Revenues from ADAS software development contracts are recognized over time during the contract period based on the Company’s measurement of progress towards completion using input method, which is usually measured by comparing labor hours expended to date to total estimated labor hours needed to satisfy the performance obligation. As of December 31, 2022 and 2021, the Company’s aggregate amount of transaction price allocated to unsatisfied performance obligation is \$384,489 and \$67,535. Assumptions, risks and uncertainties inherent in the estimates used to measure progress could affect the amount of revenues, receivables and deferred revenues at each reporting period. The Company has a long history of developing various ADAS software resulting in its ability to reasonably estimate the progress toward completion on each fixed price customized contracts.

c. Holographic Technology Licensing and Content Products

The Company provides holographic content products and holographic software for music videos, shows, and commercials on a fixed-price basis. These contents and software are generally pre-developed and exist when made available to the customer. Content products are delivered through its website or offline using hard drive.

Revenues from licensing and content products are recognized at the point in time when the control of products or services is transferred to customers. No upgrades, maintenance, or any other post-contract customer support are provided.

d. Holographic Technology Hardware Sales

The Company is a distributor of holographic hardware and generates revenue through resale. In accordance with ASC 606, revenue recognition: principal agent consideration, an entity is a principal if it controls the specified good or service before that good or service is transferred to a customer. Otherwise, the entity is an agent in the transaction. The Company evaluates three indicators of control in accordance with ASU 2016-08: 1) For hardware sales, the Company is the most visible entity to customers and assumes fulfillment risk and risks related to the acceptability of products, including addressing customer complaints directly and handling of product returns or refunds directly. 2) The Company assumes inventory risk after taking the title from vendors and is responsible for product damage during shipment period prior to acceptance of its customers and is also responsible for product return if the customer is not satisfied with the products. 3) The Company determines the resale price of hardware products. 4) The Company is the party that directs the use of the inventory and can prevent the vendor from transferring the product to a customer or to redirect the products to a different customer. After evaluating the above scenario, the Company considers itself the principal of these arrangements and records hardware sales revenue on a gross basis.

Hardware sales contracts are on a fixed price basis with no separate sales rebate, discount, or other incentive. Revenue is recognized at a point in time when the Company has delivered products and the acceptance by its customer with no future obligation. The Company generally permits returns of products due to deficits; however, returns are historically insignificant.

(ii) Holographic Technology Service

Holographic advertisements are the use of holographic technology integrated into advertisements on media platforms and offline display. The Company enters advertising contracts with advertisers to promote merchandises and services where the price, which is generally based on cost per action (“CPA”), is fixed and determinable. The Company provides its advertising service to channel providers where the amounts cost per action are also fixed and determinable. Revenue is recognized at a point of time when agreed actions are performed. The Company considers itself as provider of the services under the CPA model as it has the control of the services at any time before it is transferred to the customers which is evidenced by 1) having a right to a service to be performed by the other party, which gives the Company the ability to direct that party to provide the service to the customers on the Company’s behalf. 2) having discretion in setting the price for the service 3) billing monthly advertising fee directly to customers by settling valid CPA data with customers. Therefore, the Company acts as the principal of these arrangements and reports revenue earned and costs incurred related to these transactions on a gross basis. The Company also provides advertisement services through influencers on social networks. The Company charges advertisers a fixed rate, which is generally a fixed percentage of total value of merchandise sold over a specific period (“GMV”). Revenue is recognized at a point of time when merchandise is sold through social network.

The Company’s SDK service is a collection of software development tools in one installable package that enables customers (usually software developers) to add holographic functionality and run holographic advertisements in their APPs or software. SDK contracts are primarily on a fixed rate basis, or cost per SDK Connection. The Company recognizes SDK service revenue at a point in time when a user completes an SDK connection via a designated portal. Service fees are generally billed monthly based on per-connection basis.

The Company also provides game promotion services for game developers and licensed game operators. The Company acted as a marketing channel that it will promote the games through in-house or third-party platforms, from which users can download the mobile and purchase virtual currency for in game premium features to enhance their game playing experience. The Company contracts with third party payment platforms for collection services offered to game players who have purchased virtual currency. The game developers, licensed operator, payment platforms and the marketing channels are entitled to profit sharing based on a prescribed percentage of the gross amount charged to the game players. The Company’s obligation in the promotion services is completed at a point in time when the game players made a payment to purchase virtual currency. The Company considered itself an agent in these arrangements since it does not control the services at any time. Accordingly, the Company records the game promotion service revenue on a net basis.

Contract balances:

The Company records receivable related to revenue when it has an unconditional right to invoice and receive payment.

Payments received from customers before all of the relevant criteria for revenue recognition met are recorded as deferred revenues.

The Company's disaggregate revenue streams are summarized and disclosed in Note 22.

Cost of revenues

For holographic solutions, the cost of revenue consists primarily of the costs of hardware products sold and outsourced content providers, third party software development costs, and compensation expenses for the Company's professionals.

For holographic technology service, the cost of revenue consists primarily of costs paid to channel distributors for advertising services and compensation expenses for the Company's professionals.

Advertising costs

Advertising costs amounted to \$555,142 and \$23,308 for the years ended December 31, 2022 and 2021, respectively. Advertising costs are expensed as incurred and included in selling expenses.

Research and development

Research and development expenses include salaries and other compensation-related expenses to the Company's research and product development personnel, outsourced subcontractors, as well as office rental, depreciation and related expenses for the Company's research and product development team.

Value added taxes ("VAT")

Revenue represents the invoiced value of service, net of VAT. VAT is based on the gross sales price. The VAT rate is 6% on services and 13% on goods in China. Entities that are VAT general taxpayers are allowed to offset qualified input VAT paid to suppliers against their output VAT liabilities. Net VAT balance between input VAT and output VAT is recorded in taxes payable. All of the VAT returns filed by the Company's subsidiaries in China, have been and remain subject to examination by the tax authorities for five years from the date of filing.

Income taxes

The Company are accounted for current income taxes in accordance with the laws of the relevant tax authorities. The charge for taxation is based on the results for the fiscal year as adjusted for items, which are non-assessable or disallowed. It is calculated using tax rates that have been enacted or substantively enacted by the balance sheet date.

Deferred taxes is accounted for using the asset and liability method in respect of temporary differences arising from differences between the carrying amount of assets and liabilities in the consolidated financial statements and the corresponding tax basis used in the computation of assessable tax profit. In principle, deferred tax liabilities are recognized for all taxable temporary differences. Deferred tax assets are recognized to the extent that it is probable that taxable profit will be available against which deductible temporary differences can be utilized. Deferred tax is calculated using tax rates that are expected to apply to the period when the asset is realized or the liability is settled. Deferred tax is charged or credited in the income statement, except when it is related to items credited or charged directly to equity, in which case the deferred tax is also dealt with in equity. Deferred tax assets are reduced by a valuation allowance when, in the opinion of management, it is more likely than not that some portion or all of the net deferred tax asset will not be realized. Current income taxes are provided for in accordance with the laws of the relevant taxing authorities.

An uncertain tax position is recognized as a benefit only if it is “more likely than not” that the tax position would be sustained in a tax examination, with a tax examination being presumed to occur. The amount recognized is the largest amount of tax benefit has a greater than 50% likely of being realized on examination. For tax positions not meeting the “more likely than not” test, no tax benefit is recorded. No penalties and interest incurred related to underpayment of income tax are classified as income tax expense in the period incurred.

Other income, net

Other income includes government subsidies which are amounts granted by local government authorities as an incentive for companies to promote development of the local technology industry. The Company receives government subsidies and records such government subsidies as a liability when it is received. The Company records government subsidies as other income when there is no further performance obligation. Total government subsidies amounted to \$71,156 and \$12,082 for the years ended December 31, 2022 and 2021, respectively.

Other income also includes \$159,255 and \$183,681 of input VAT credits the Company redeemed during the year ended December 31, 2022 and 2021, respectively. As part of VAT reform in 2019, from April 1, 2019 to December 31, 2022, a taxpayer in certain service industries could claim an additional 10% of input VAT credit based on total input VAT paid to suppliers, the credit was applied to offset with the Company’s VAT payable.

Other income also includes \$84,257 and \$42,920 of other non-operating expenses during the year ended December 31, 2022 and 2021, respectively.

Operating leases

Effective January 1, 2022, the Company adopted ASU 2016-02, “Leases” (Topic 842), and elected the practical expedients that does not require the Company to reassess: (1) whether any expired or existing contracts are, or contain, leases, (2) lease classification for any expired or existing leases and (3) initial direct costs for any expired or existing leases. For lease terms of twelve months or fewer, a lessee is permitted to make an accounting policy election not to recognize lease assets and liabilities. The Company also adopted the practical expedient that allows lessees to treat the lease and non-lease components of a lease as a single lease component. On January 1, 2022, the Company recognized approximately RMB 5.7 million (USD 0.9 million) of right of use (“ROU”) assets and approximately RMB 5.7 million (USD 0.9 million) of operating lease liabilities based on the present value of the future minimum rental payments of leases, using incremental borrowing rate of 5.6% to 7%.

The Company determines if a contract contains a lease at inception. US GAAP requires that the Company’s leases be evaluated and classified as operating or finance leases for financial reporting purposes. The classification evaluation begins at the commencement date and the lease term used in the evaluation includes the non-cancellable period for which the Company has the right to use the underlying asset, together with renewal option periods when the exercise of the renewal option is reasonably certain and failure to exercise such option which result in an economic penalty. All of the Company’s real estate leases are classified as operating leases.

When determining the lease payments for an operating lease transitioning to ASC 842 using the effective date, it’s based on future payments at the transition date, based on the present value of lease payments over the remaining lease term. Since the implicit rate for the Company’s leases is not readily determinable, the Company use its incremental borrowing rate based on the information available at the commencement date in determining the present value of lease payments. The incremental borrowing rate is the rate of interest that the Company would have to pay to borrow, on a collateralized basis, an amount equal to the lease payments, in a similar economic environment and over a similar term.

Lease terms used to calculate the present value of lease payments generally do not include any options to extend, renew, or terminate the lease, as the Company does not have reasonable certainty at lease inception that these options will be exercised. The Company generally considers the economic life of its operating lease ROU assets to be comparable to the useful life of similar owned assets. The Company has elected the short-term lease exception, therefore operating lease ROU assets and liabilities do not include leases with a lease term of twelve months or less. Its leases generally do not provide a residual guarantee. The operating lease ROU asset also excludes lease incentives. Lease expense is recognized on a straight-line basis over the lease term.

The Company reviews the impairment of its ROU assets consistent with the approach applied for its other long-lived assets. The Company reviews the recoverability of its long-lived assets when events or changes in circumstances occur that indicate that the carrying value of the asset may not be recoverable. The assessment of possible impairment is based on its ability to recover the carrying value of the asset from the expected undiscounted future pre-tax cash flows of the related operations. The Company has elected to include the carrying amount of operating lease liabilities in any tested asset group and includes the associated operating lease payments in the undiscounted future pre-tax cash flows.

Statutory reserves

Pursuant to the laws applicable to the PRC, PRC entities must make appropriations from after-tax profit to the non-distributable “statutory surplus reserve fund”. Subject to certain cumulative limits, the “statutory surplus reserve fund” requires annual appropriations of 10% of after-tax profit until the aggregated appropriations reach 50% of the registered capital (as determined under accounting principles generally accepted in the PRC (“PRC GAAP”) at each year-end). For foreign invested enterprises and joint ventures in the PRC, annual appropriations should be made to the “reserve fund”. For foreign invested enterprises, the annual appropriation for the “reserve fund” cannot be less than 10% of after-tax profits until the aggregated appropriations reach 50% of the registered capital (as determined under PRC GAAP at each year-end). If the Company has accumulated loss from prior periods, the Company is able to use the current period net income after tax to offset against the accumulate loss.

Earnings per share

The Company computes earnings per share (“EPS”) in accordance with ASC 260, “Earnings per Share”. ASC 260 requires companies to present basic and diluted EPS. Basic EPS is measured as net income divided by the weighted average common share outstanding for the period. Diluted EPS presents the dilutive effect on a per share basis of the potential common shares (e.g., convertible securities, options and warrants) as if they had been converted at the beginning of the periods presented, or issuance date, if later. Potential common shares that have an anti-dilutive effect (i.e., those that increase income per share or decrease loss per share) are excluded from the calculation of diluted EPS.

Segment reporting

ASC 280, “Segment Reporting”, establishes standards for reporting information about operating segments on a basis consistent with the Company’s internal organizational structure as well as information about geographical areas, business segments and major customers in financial statements for detailing the Company’s business segments.

The Company’s chief operating decision maker is the Chief Executive Officer, who reviews the financial information of the separate operating segments when making decisions about allocating resources and assessing the performance of the group. The Company has determined that it has two operating segments: (1) Holographic solutions, and (2) Holographic technology service.

Employee benefits

The full-time employees of the Company are entitled to staff welfare benefits including medical care, housing fund, pension benefits, unemployment insurance and other welfare, which are government mandated defined contribution plans. The Company is required to accrue for these benefits based on certain percentages of the employees’ respective salaries, subject to certain ceilings, in accordance with the relevant PRC regulations, and make cash contributions to the state-sponsored plans out of the amounts accrued. Total expenses for the plans were \$688,136 and \$535,884 the year ended December 31, 2022 and 2021, respectively.

Recently issued accounting pronouncements

In May 2019, the FASB issued ASU 2019-05, which is an update to ASU Update No. 2016-13, Financial Instruments — Credit Losses (Topic 326): Measurement of Credit Losses on Financial Instruments, which introduced the expected credit losses methodology for the measurement of credit losses on financial assets measured at amortized cost basis, replacing the previous incurred loss methodology. The amendments in Update 2016-13 added Topic 326, Financial Instruments — Credit Losses, and made several consequential amendments to the Codification. Update 2016-13 also modified the accounting for available-for-sale debt securities, which must be individually assessed for credit losses when fair value is less than the amortized cost basis, in accordance with Subtopic 326-30, Financial Instruments — Credit Losses — Available-for-Sale Debt Securities. The amendments in this Update address those stakeholders' concerns by providing an option to irrevocably elect the fair value option for certain financial assets previously measured at amortized cost basis. For those entities, the targeted transition relief will increase comparability of financial statement information by providing an option to align measurement methodologies for similar financial assets. Furthermore, the targeted transition relief also may reduce the costs for some entities to comply with the amendments in Update 2016-13 while still providing financial statement users with decision-useful information.

In November 2019, the FASB issued ASU No. 2019-10, which to update the effective date of ASU No. 2016-02 for private companies, not-for-profit organizations and certain smaller reporting companies applying for credit losses, leases, and hedging standard. The new effective date for these preparers is for fiscal years beginning after December 15, 2022. The Company is still evaluating the impact of the adoption of this ASU on the Company's consolidated financial statements.

In October 2020, the FASB issued ASU 2020-08, "Codification Improvements to Subtopic 310-20, Receivables — Nonrefundable Fees and Other Costs". The amendments in this Update represent changes to clarify the Codification. The amendments make the Codification easier to understand and easier to apply by eliminating inconsistencies and providing clarifications. ASU 2020-08 is effective for the Company for annual and interim reporting periods beginning July 1, 2021. Early application is not permitted. All entities should apply the amendments in this Update on a prospective basis as of the beginning of the period of adoption for existing or newly purchased callable debt securities. These amendments do not change the effective dates for Update 2017-08. The adoption of this new standard does not have material impact on Company's consolidated financial statements and related disclosures.

Except as mentioned above, the Company does not believe other recently issued but not yet effective accounting standards, if currently adopted, would have a material effect on the Company's consolidated balance sheets, statements of income and comprehensive income and statements of cash flows.

Note 3 — Reverse Recapitalization

On September 16, 2022, MC merged with Golden Path Merger Sub and survived the merger and continued as the surviving company and a wholly owned subsidiary of Golden Path and continued its business operations. Immediately prior to the closing of the Merger, holders of 2,182,470 shares of Golden Path ordinary shares exercised their right to redeem such shares. The remaining 3,567,530 public shares converted to MC common stock with the consummation of the Merger.

Upon the Closing, 575,000 common ordinary shares were issued to public investors upon exchange of the Public Rights under the Public Units in Golden Path's IPO. These shares issued were freely tradable.

Upon the Closing, 27,050 common ordinary shares were issued to sponsor upon exchange of rights under Private Units in Golden Path's IPO. These shares issued were subjected to locking restriction.

In connection with the Merger, 380,000 shares of Golden Path were issued to Peace Asset upon the Closing, pursuant to an agreement between the Golden Path and Peace Asset Management Ltd. ("Peace Asset") dated August 3, 2021, as Peace Asset was engaged as the finder to introduce MC to Golden Path in connection with the merge.

As of December 31, 2022 and after giving effect to all exchange, there were 50,812,035 shares of Common Stock outstanding, comprised of the 4,142,530 shares issued to public investors, 1,735,050 common stock hold by founder/sponsor, 380,000 common stocks issued to Peace Asset, and 44,554,455 common stocks issued to MC shareholders.

The number of shares of Common Stock issued immediately following the consummation of the Merger was:

	Shares
Ordinary shares of Golden Path, outstanding prior to Merger	\$ 5,750,000
Less redemption of Golden Path shares	\$ (2,182,470)
Public shares following redemptions	\$ 3,567,530
Shares issued upon closing to public shareholders (from rights)	575,000
Founder (Sponsor) Shares	1,708,000
Shares issued upon closing to Sponsor (from rights)	27,050
Shares issued upon closing to Finder (engaged Peace Asset)	380,000
MC shares	\$ 44,554,455
Total shares of common stock immediately after Merger	<u>\$ 50,812,035</u>

The Merger was accounted for as a reverse recapitalization in accordance with GAAP. Under this method of accounting, Golden Path was treated as the “acquired” company for financial reporting purposes. Accordingly, for accounting purposes, the financial statements of MC are represented as a continuation of the financial statements of Golden Path, with the Merger being treated as the equivalent of MC issuing stock for the net assets of Golden Path, accompanied by a recapitalization. The net assets of Golden Path are stated at historical cost, with no goodwill or other intangible assets recorded. Operations prior to the Merger are those of MC in future reports.

MC has been determined to be the accounting acquirer based on evaluation of the following facts and circumstances as of the Closing: (i) MC’s stockholders have a majority of the voting power of the combined company, (ii) MC comprises a majority of the governing body of the combined company, and MC’s senior management comprises all of the senior management of the combined company, and (iii) MC comprises all of the ongoing operations of the combined entity. Following the approval of the Business Combination, on September 16, 2022, we received net cash proceeds of \$33.2 million from the closing of the Business Combination, net of certain transaction costs.

Note 4 — Accounts receivable, net

Accounts receivable, net consisted of the following:

	Years ended December 31,	
	2022	2021
Accounts receivable	\$ 12,355,072	\$ 11,007,816
Less: allowance for doubtful accounts	(705,060)	(296,051)
Accounts receivable, net	<u>\$ 11,650,012</u>	<u>\$ 10,711,765</u>

Movement of allowance for doubtful accounts is as follows:

	Years ended December 31,	
	2022	2021
Beginning balance	\$ 296,051	\$ 209,456
Provision for doubtful accounts	\$ 442,335	\$ 81,661
Exchange difference	\$ (33,326)	\$ 4,934
Ending balance	<u>\$ 705,060</u>	<u>\$ 296,051</u>

Net provision for doubtful accounts for the years ended December 31, 2022 and 2021 amounted to \$442,335 and \$81,661, respectively.

Note 5 — Inventories, net

	Years ended December 31,	
	2022	2021
Raw materials	\$ 263,304	\$ 233,687
Finished goods	17,159	96,183
Total	280,463	329,870
Less: Inventory allowance	(25,584)	(27,692)
Inventories, net	<u>\$ 254,879</u>	<u>\$ 302,178</u>

As of December 31, 2022 and 2021, the management of the Company estimated its inventories at the lower of cost or market, determined on a weighted average method, or net realizable value. The Company recognized Nil and \$13,818 inventory allowance as of December 31, 2022 and 2021, respectively.

Movement of inventory reserve is as follows:

	Years ended December 31,	
	2022	2021
Beginning balance	\$ 27,692	\$ 13,556
Provision for inventory reserve	-	13,818
Exchange difference	(2,108)	318
Ending balance	<u>\$ 25,584</u>	<u>\$ 27,692</u>

Note 6 — Property and equipment, net

Property and equipment, net consist of the following:

	Years ended December 31,	
	2022	2021
Office equipment	\$ 165,351	\$ 179,526
Mechanical equipment	153,566	166,221
Electronic and other equipment	355,875	99,280
Vehicles	6,377	6,902
Less: accumulated depreciation	(442,249)	(405,752)
Total	<u>\$ 238,920</u>	<u>\$ 46,177</u>

Depreciation expense for the years ended December 31 30, 2022 and 2021 amounted to \$69,104 and \$45,659, respectively. The loss from disposal of fixed assets amounted to \$488 and \$57,381, for the years ended December 31, 2022 and 2021.

Note 7 — Intangible assets, net

The Company's intangible assets with definite useful lives primarily consist of accounting software. The following table summarizes acquired intangible asset balances as of:

	Years ended December 31,	
	2022	2021
Customer relationship	\$ 1,928,318	\$ 2,087,224
Software	2,137,916	2,314,093
Non-compete agreements	333,469	360,949
Less: accumulated amortization	(2,170,317)	(1,348,044)
Total	<u>\$ 2,229,386</u>	<u>\$ 3,414,222</u>

Amortization expense charged to operations for the years ended December 31, 2022 and 2021 was \$948,021 and \$1,001,768, respectively.

The estimated annual amortization expense for each of the five succeeding fiscal years is as follow:

Year ending December 31,	
2023	\$ 914,588
2024	667,044
2025	647,666
2026	88
Total	<u>\$ 2,229,386</u>

Note 8 — Prepayment, other assets, and deposits

	Years ended December 31,	
	2022	2021
Current:		
Inventory Purchase	\$ 457,875	\$ 14,106
Rent and rent deposits	18,776	7,688
VAT	129,480	24,735
Professional service	231,066	10,462
Other services	57,282	41,072
Prepayment and other current assets	<u>\$ 894,479</u>	<u>\$ 98,063</u>
Non-current:		
Rent deposits	\$ 59,144	\$ 53,998
Other	1,794	17,092
Allowance for doubtful accounts	(478)	(518)
Prepayment and deposit	<u>\$ 60,460</u>	<u>\$ 70,572</u>

Movement of allowance for doubtful accounts is as follows:

	Years ended December 31,	
	2022	2021
Beginning balance	\$ 518	\$ 1,303
Recovery of doubtful accounts	-	(786)
Exchange difference	(40)	1
Ending balance	<u>\$ 478</u>	<u>\$ 518</u>

Note 9 — Goodwill

Goodwill represents the excess of the consideration paid of an acquisition over the fair value of the net identifiable assets of the acquired subsidiaries at the date of acquisition. Goodwill is not amortized and is tested for impairment at least annually, more often when circumstances indicate impairment may have occurred. The following table summarizes the components of acquired goodwill balances as of:

	Years ended December 31,	
	2022	2021
Goodwill from Shenzhen Bowei acquisition*	\$ 1,410,585	\$ 1,526,826
Goodwill from Shenzhen Tianyuemeng acquisition**	1,656,732	1,793,256
Goodwill	<u>\$ 3,067,317</u>	<u>\$ 3,320,082</u>

* On July 1, 2020, Shenzhen Mengyun entered into acquisition agreement to acquire 100% equity interests of Shenzhen Bowei, a provider of holographic PCBA solutions. The transaction consummated on July 1, 2020. According to the agreement, acquisition consideration is RMB 20,000,000 (approximately USD 3.1 million) to acquire the 100% equity interests of Shenzhen Bowei. Acquired amortizable intangible assets includes customer relationship, software, and non-compete agreements. Approximately RMB 9.7 million (USD 1.5 million) of goodwill arising from the acquisition is mainly attributable to the excess of the consideration paid over the fair value of the net assets acquired that cannot be recognized separately as identifiable assets under U.S. GAAP, and comprise (a) the assembled work force and (b) the expected but unidentifiable business growth as a result of the synergy resulting from the acquisition.

** On October 1, 2020, Shenzhen Mengyun entered into acquisition agreement to acquire 100% equity interests of Shenzhen Tianyuemeng, an entity focused on holographic advertising services. The transaction consummated on October 1, 2020. According to the agreement, acquisition consideration is RMB 30,000,000 (approximately USD 4.6 million) to acquire the 100% equity interests of Shenzhen Tianyuemeng. Acquired amortizable intangible assets includes customer relationship, software, and non-compete agreements. Approximately RMB 11.4 million (USD 1.8 million) of goodwill arising from the acquisition is mainly attributable to the excess of the consideration paid over the fair value of the net assets acquired that cannot be recognized separately as identifiable assets under U.S. GAAP, and comprise (a) the assembled work force and (b) the expected but unidentifiable business growth as a result of the synergy resulting from the acquisition.

The changes in the carrying amount of goodwill allocated to reportable segments as of December 31, 2021 and December 31, 2022 are as follows

	Holographic solutions	Holographic technology service	Total
As of December 31, 2021	<u>\$ 1,526,826</u>	<u>\$ 1,793,256</u>	<u>\$ 3,320,082</u>
As of December 31, 2022	<u>\$ 1,410,585</u>	<u>\$ 1,656,732</u>	<u>\$ 3,067,317</u>

Note 11 — Investments in unconsolidated entities

	Years ended December 31,	
	2022	2021
Equity investments without readily determinable fair value:		
19.9% Investment ⁽¹⁾	\$ 289,973	\$ 313,869
4.4% Investment ⁽²⁾	72,493	78,467
5% Investment ⁽³⁾	86,992	94,160
3% Investment ⁽⁴⁾	144,986	156,934
Impairment	(594,444)	(392,335)
Total	\$ -	\$ 251,095

- (1) In August 2016, Shenzhen Mengyun invested RMB 2,000,000 in a company in the technology development and animation design areas for 19.9% equity interest. Due to the continual losses, the Company believes that the probability of recovering the investment is low. Therefore, the Company accrued RMB 2,000,000 (USD 306,645) impairment loss for the investment in 2018.
- (2) In November 2015, Shanghai Mengyun invested RMB 500,000 in a company in the database service for 4.44% equity interest. Due to the continual losses, the Company believes that the probability of recovering the investment is low. Therefore, the Company accrued RMB 500,000 (USD 76,661) impairment loss for the investment in 2018.
- (3) In September 2021, Shenzhen Mengyun invested RMB 600,000 in a company specializing in research and development of smart wearable devices for 5% equity interest. Due to the continual losses, the Company believes that the probability of recovering the investment is low. Therefore, the Company accrued RMB 600,000 (USD 89,166) impairment loss for the investment in 2022.
- (4) In October 2021, Shenzhen Mengyun invested RMB 1,000,000 in a company specializing in VR/AR education technology for 3% equity interest. Due to the continual losses, the Company believes that the probability of recovering the investment is low. Therefore, the Company accrued RMB 1,000,000 (USD 148,611) impairment loss for the investment in 2022.

Note 12 — Loan receivable

On September 1, 2021 and October 1, 2021, the Company entered into a RMB 10,000,000 (USD 1,575,746) and RMB 4,200,000 (USD 661,813) loan agreement, respectively, with a third party to provide funds for their operations. The loan is with 4.35% annual interest rate, no collateral and is due on August 31, 2022 and September 30, 2022, respectively. As of December 31, 2021, the loan balance RMB 14,200,000 (USD 2,228,465) and related accrued interest RMB 162,321 (USD 25,474) was fully received.

On September 1, 2021, the Company entered into a RMB 50,806,587 (USD 7,853,126) loan agreement with a third party to provide funds for their operations with 4.35% annual interest rate, no collateral and is due on August 31, 2022. On October 12, 2021, the Company entered into an amended loan agreement with the third party to increase the loan amount by RMB 25,100,000 (USD 3,939,047) which is due on October 12, 2022. As of December 31, 2021, the loan receivable and related accrued interest was RMB 12,703,387 (USD 1,993,595), and RMB 626,054 (USD 98,249), respectively, which were subsequently received in March 2022. In January 2022, the Company further funded RMB 10,000,000 (USD 1,575,746) to the borrower. As of December 31, 2022, the loan balance RMB 10,000,000 (USD 1,405,778) and related accrued interest RMB 251,326 (USD 35,331) was fully received.

Note 13 — Other payables and accrued liabilities

Other payables and accrued liabilities consist of the following:

	Years ended December 31,	
	2022	2021
Employee compensation payable	\$ 996,823	\$ 895,172
Payable from prior acquisition*	563,524	609,962
Other	404,154	44,358
	<u>\$ 1,964,501</u>	<u>\$ 1,549,492</u>

* These payables are from an entity acquired in 2015 for inventory purchase, which the Company is still obligated to pay if any of the vendors ask for the payment in the future.

Note 14 — Related party balances and transactions

The amounts due from related parties consist of the following:

RP Name	Relationship	Nature	Years ended December 31,	
			2022	2021
Shenzhen Ultimate Holographic Culture Communication Co., Ltd.	Shenzhen Mengyun's 19.9% equity investment	Advances for operational purposes, no interest, due on demand	\$ 8,740	\$ 3,139
			<u>\$ 8,740</u>	<u>\$ 3,139</u>

The amounts due to related parties consists of the following:

RP Name	Relationship	Nature	Years ended December 31,	
			2022	2021
Never Stop Holdings Limited	Former shareholder of Mengyun Cayman	Advances, no interest, due on demand	\$ -	\$ 280,000
Yuxiu Han	Former shareholder and current legal representative of Shenzhen Bowei	Advances for operational purpose, no interest, due on demand	50,745	54,927
Zijuan Han	Supervisor of Horgos Bowei	Short-term loan	-	58
			<u>\$ 50,745</u>	<u>\$ 334,985</u>

Note 15 — Loan payable

Short-term bank borrowings consisted of the following:

Bank name	Term	Interest rate	Collateral/Guarantee	December 31, 2022
Shenzhen Qianhai Webank Co., LTD	From March 28, 2022 to March 28, 2023	5.4%	Guaranteed by Shenzhen Sme Financing Guarantee Co., LTD	\$ 59,444
				<u>\$ 59,444</u>

Note 16 — Income taxes***Cayman Islands***

MC was incorporated in the Cayman Islands and is not subject to tax on income or capital gains under the laws of Cayman Islands. Additionally, the Cayman Islands does not impose a withholding tax on payments of dividends to shareholders.

Seychelles

Mcloudvr Software is incorporated in Seychelles and is not subject to tax on income generated outside of Seychelles under the current law. In addition, upon payments of dividends by these entities to their shareholders, no withholding tax will be imposed.

Hong Kong

Mengyun HK, Broadvision HK, Ocean HK and Mcloudvr HK are incorporated in Hong Kong and is subject to Hong Kong Profits Tax on the taxable income as reported in its statutory financial statements adjusted in accordance with relevant Hong Kong tax laws. The applicable tax rate is 16.5% in Hong Kong. Under Hong Kong tax law, Mengyun HK is exempted from income tax on its foreign-derived income and there are no withholding taxes in Hong Kong on remittance of dividends.

PRC

The subsidiaries incorporated in the PRC are governed by the income tax laws of the PRC and the income tax provision for operations in the PRC is calculated at the applicable tax rates on the taxable income for the periods based on existing legislation, interpretations and practices in respect thereof. Under the Enterprise Income Tax Laws of the PRC (the “EIT Laws”), domestic enterprises and Foreign Investment Enterprises (the “FIE”) are subject to a unified 25% enterprise income tax rate while preferential tax rates, tax holidays and even tax exemptions may be granted on a case-by-case basis. EIT grants preferential tax treatment to certain High and New Technology Enterprises (“HNTes”). Under this preferential tax treatment, HNTes are entitled to an income tax rate of 15%, subject to a requirement that they re-apply for HNTe status every three years. Shanghai Mengyun obtained the “high-tech enterprise” tax status in October 2017 and further renewed in December 2020, which reduced its statutory income tax rate to 15% from January 2017 to December 2023. Shenzhen Mengyun obtained the “high-tech enterprise” tax status in November 2018 and further renewed in December 2021, which reduced its statutory income tax rate to 15% from January 2018 to December 2024. Shenzhen Bowei obtained the “high-tech enterprise” tax status in December 2021, which reduced its statutory income tax rate to 15% from December 2021 to December 2024.

Horgos Weiye, Horgos Youshi, Horgos Bowei and Horgos Tianyuemeng were formed and registered in Horgos in Xinjiang Province, China from 2016 to 2020, and Kashgar Youshi was formed and registered in Kashgar in Xinjiang Province, China in 2016. These companies are not subject to income tax for 5 years and can obtain another two years of tax exemption status and three years at reduced income tax rate of 12.5% after the 5 years due to the local tax policies to attract companies in various industries.

The Ministry of Finance (“MOF”) and State Administration of Taxation (“SAT”) on January 17, 2019 jointly issued Cai Shui 2019 No. 13. This clarified that from January 1, 2019 to December 31, 2021, eligible small enterprises whose RMB 1,000,000 of annual taxable income is eligible for a 75% reduction on a rate of 20% (i.e., effective rate is 5%) and the income between RMB 1,000,000 and RMB 3,000,000 is eligible for 50% reduction on a rate of 20% (i.e., effective rate is 10%). On April 2, 2021, MOF and SAT further jointly issued Cai Shui 2021 No. 12, which clarified that from January 1, 2022 to December 31, 2022, eligible small enterprises whose RMB 1,000,000 of annual taxable income is eligible for an extra 50% reduction base on Cai Shui 2019 No. 13 (i.e., effective rate is 2.5%). On March 14, 2022, MOF and SAT further jointly issued Cai Shui 2022 No. 13, which clarified that from January 1, 2022 to December 31, 2022, eligible small enterprises whose income between RMB 1,000,000 and RMB 3,000,000 is eligible for an extra 50% reduction base on Cai Shui 2019 No. 13 (i.e., effective rate is 5%). For the years ended December 30, 2021 and 2022, Shenzhen Tianyuemeng and Shenzhen Yunao were eligible to employ this policy.

Tax savings for those entities in Xinjiang province including Horgos Weiyi, Horgos Youshi, Horgos Bowei, Kashgar Youshi and Horgos Tianyuemeng and for those entities eligible for small enterprises including Shenzhen Tianyuemeng and Shenzhen Yunao and HNTes including Shanghai Mengyun, Shenzhen Mengyun and Shenzhen Bowei for the years ended December 31, 2022 and 2021 amounted to \$186,403 and \$431,109, respectively. The preferential tax rate reduction increased earnings per share by \$0.004 and \$0.008 for the years ended December 31, 2022 and 2021, respectively.

Significant components of the income tax expense (benefit) consisted of the following:

	Years ended December 31,	
	2022	2021
Current income tax expense	\$ 8,075	\$ 7,398
Deferred income tax benefit	(130,848)	(132,130)
Total	<u>\$ (122,773)</u>	<u>\$ (124,732)</u>

The following table reconciles China statutory rates to the Company’s effective tax rate:

	For the years ended December 31,	
	2022	2021
China statutory income tax rate	25.00%	25.00%
Preferential tax rate reduction	(24.51)%	(24.76)%
Change in valuation allowance	(2.01)%	0.44%
Additional R&D deduction in China	0.83%	(1.24)%
Permanent difference	(0.06)%	(0.37)%
Tax rate difference outside China ⁽¹⁾	0.04%	(0.04)%
Effective tax rate	<u>(0.71)%</u>	<u>(0.97)%</u>

(1) It is mainly due to the lower tax rate of the entities incorporated in Hong Kong.

Deferred tax assets and liabilities — China

Significant components of deferred tax assets and liabilities were as follows:

	Years ended December 31,	
	2022	2021
Deferred tax assets:		
Allowance for doubtful accounts	\$ 37,242	\$ 36,847
Depreciation and amortization	-	485
Impairment loss for investment	34,797	-
Net operating loss carry forward	494,364	240,058
Inventory reserve	3,838	6,923
Right of use	2,045	-
Less: valuation allowance	(442,832)	(160,172)
Deferred tax assets, net	129,454	124,141
Deferred tax liabilities:		
Recognition of intangible assets arising from business acquisition	(289,884)	(435,968)
Deferred tax liabilities, net	(289,884)	(435,968)
Total deferred tax liabilities, net	\$ (160,430)	\$ (311,827)

The Company evaluated the recoverable amounts of deferred tax assets, and provided a valuation allowance to the extent that future taxable profits will be available against which the net operating loss and temporary differences can be utilized. Valuation allowance is provided against deferred tax assets when the Company determines that it is more likely than not that the deferred tax assets will not be utilized in the future. In making such determination, the Company considered factors including future taxable income exclusive of reversing temporary differences and tax loss carry forwards. Valuation allowance was provided for net operating loss carry forward because it was more likely than not that such deferred tax assets would not be realized based on the Company's estimate of its future taxable income. If events occur in the future that allow the Company to realize more of its deferred income tax than the presently recorded amounts, an adjustment to the valuation allowances will result in a decrease in tax expense when those events occur. The valuation allowance was increased by \$282,660 and \$56,096 for the years ended December 31, 2022 and 2021, respectively.

The Company recognized deferred tax liabilities related to the excess of the intangible assets reporting basis over its income tax basis as a result of fair value adjustment from acquisitions in 2020. The deferred tax liabilities will reverse as the intangible assets are amortized for financial statement reporting purposes.

As of December 31, 2022, the Company had net operating loss carry forwards of approximately \$4,714,514, which arose from Shanghai Mengyun, Shenzhen Mengyun, Qianhai Youshi, Yijia Network and Shenzhen Bowei, the subsidiaries established in the PRC, and will expire during the period from 2023 to 2027.

Uncertain tax positions

The Company evaluates each uncertain tax position (including the potential application of interest and penalties) based on the technical merits, and measure the unrecognized benefits associated with the tax positions. As of December 31, 2022 and 2021, the Company did not have any significant unrecognized uncertain tax positions. The Company did not incur any interest and penalties related to potential underpaid income tax expenses. As of December 31, 2022 and 2021, the Company also does not anticipate any significant increases or decreases in unrecognized tax benefits in the next 12 months from December 31, 2022.

Value added taxes (“VAT”)

Revenue represents the invoiced value of service, net of VAT. The VAT are based on gross sales price. VAT rate is 6% on services and 13% on goods in China.

Taxes payable consisted of the following:

	Years ended December 31,	
	2022	2021
VAT taxes payable	\$ 7,199	\$ 414,665
Income taxes payable	68,660	72,359
Other taxes payable	11,460	\$ 22,900
Totals	<u>\$ 87,319</u>	<u>\$ 509,924</u>

Note 17 — Concentration of risk

Credit risk

Financial instruments that potentially subject the Company to significant concentrations of credit risk consist primarily of cash and short-term investments consisting of time deposit. In China, the insurance coverage for cash deposits at each bank is RMB 500,000. As of December 31, 2022 and 2021, cash and time deposit balance of RMB 151,119,985 (USD 21,910,338) and RMB 48,006,979 (USD 7,533,934) and was deposited with financial institutions located in China, of which 140,010,910 (USD 20,299,674) and RMB 39,962,354 (USD 6,271,457) was uninsured. While management believes that these financial institutions are of high credit quality, it also continually monitors their credit worthiness.

A majority of the Company's expense transactions are denominated in RMB and a significant portion of the Company and its subsidiaries' assets and liabilities are denominated in RMB. RMB is not freely convertible into foreign currencies. In the PRC, certain foreign exchange transactions are required by law to be transacted only by authorized financial institutions at exchange rates set by the PBOC. Remittances in currencies other than RMB by the Company in China must be processed through the PBOC or other China foreign exchange regulatory bodies which require certain supporting documentation in order to affect the remittance.

To the extent that the Company needs to convert U.S. dollars into RMB for capital expenditures and working capital and other business purposes, appreciation of RMB against the U.S. dollar would have an adverse effect on the RMB amount the Company would receive from the conversion. Conversely, if the Company decides to convert RMB into U.S. dollar for the purpose of making payments for dividends, strategic acquisition or investments or other business purposes, appreciation of the U.S. dollar against the RMB would have a negative effect on the U.S. dollar amount available to the Company.

Customer concentration risk

For the years ended December 31, 2022, one customer accounted for 12.9% of the Company's total revenues. For the years ended December 31, 2021, one customer accounted for 18.7% of the Company's total revenues.

As of December 31, 2022, two customers accounted for 26.4% and 15.8% of the Company's accounts receivable, respectively. As of December 31, 2021, two customers accounted for 27.8%, and 19.9% of the Company's accounts receivable, respectively.

Vendor concentration risk

For the years ended December 31, 2022, one vendor accounted for 13.8% of the Company's total purchases. For the years ended December 31, 2021, two vendors accounted for 35.1% and 15.0% of the Company's total purchases, respectively.

As of December 31, 2022, two vendors accounted for 63.6% and 10.0% of the Company's accounts payable, respectively. As of December 31, 2021, three vendors accounted for 41.1%, 18.6%, and 15.9% of the Company's accounts payable, respectively.

Note 18 — Shareholders' equity

Ordinary shares

MC was established under the laws of Cayman Islands on November 10, 2020 with authorized share of 500,000,000 ordinary Shares with a par value of USD 0.0001 each, 132,000,000 of which have been issued and are outstanding.

At the closing of the Business Combination, the issued and outstanding shares in MC held by the former MC shareholders was cancelled and ceased to exist, in exchange for the issue of an aggregate of 44,554,455 Golden Path Ordinary.

The number of shares of Common Stock issued immediately following the consummation of the Merger was 50,812,035 shares with a par value of USD 0.0001 each. (See Note 3)

Restricted assets

The Company's ability to pay dividends is primarily dependent on the Company receiving distributions of funds from its subsidiary. Relevant PRC statutory laws and regulations permit payments of dividends by Beijing Xihuiyun and Shanghai Mengyun (collectively "Mengyun PRC entities") only out of its retained earnings, if any, as determined in accordance with PRC accounting standards and regulations. The results of operations reflected in the accompanying consolidated financial statements prepared in accordance with U.S. GAAP differ from those reflected in the statutory financial statements of Mengyun PRC entities.

Mengyun PRC entities are required to set aside at least 10% of their after-tax profits each year, if any, to fund certain statutory reserve funds until such reserve funds reach 50% of its registered capital. In addition, Mengyun PRC entities may allocate a portion of its after-tax profits based on PRC accounting standards to an enterprise expansion fund and staff bonus and welfare fund at its discretion. Mengyun PRC entities may allocate a portion of its after-tax profits based on PRC accounting standards to a discretionary surplus fund at its discretion. The statutory reserve funds and the discretionary funds are not distributable as cash dividends. Remittance of dividends by a wholly foreign-owned company out of China is subject to examination by the banks designated by State Administration of Foreign Exchange.

As a result of the foregoing restrictions, Mengyun PRC entities are restricted in their ability to transfer their assets to the Company. Foreign exchange and other regulations in the PRC may further restrict Mengyun PRC entities from transferring funds to the Company in the form of dividends, loans and advances. As of December 31, 2022 and 2021, amounts restricted are the paid-in-capital and statutory reserve of Mengyun PRC entities, which amounted to \$6,121,025 and \$5,739,184.

Statutory reserve

During the year ended December 31, 2022 and 2021, Mengyun PRC entities collectively attributed \$381,841 and \$429,785, of retained earnings for their statutory reserves, respectively. As of December 31, 2022 and 2021, the Company's aggregate amount of statutory reserve is \$1,722,262 and \$1,340,421.

Note 19 — Leases

The Company has several offices lease agreements with lease terms ranging from two to six years. Upon adoption of ASU 2016-02 on January 1, 2022, the Company recognized approximately RMB 5.7 million (USD 0.9 million) of right of use (“ROU”) assets and approximately RMB 5.7 million (USD 0.9 million) of operating lease liabilities based on the present value of the future minimum rental payments of leases, using incremental borrowing rate of 5.4 to 7.0%.

The Company’s lease agreements do not contain any material residual value guarantees or material restrictive covenants. The leases generally do not contain options to extend at the time of expiration.

As of December 31, 2022, the Company’s operating leases had a weighted average remaining lease term of approximately 2.93 years.

For the years ended December 31, 2022, rent expenses for the operating leases and short-term lease (less than one year) were \$281,363 and \$95,067, respectively.

For the years ended December 31, 2021, rent expenses for the operating leases were \$361,079.

The five-year maturity of the Company’s lease obligations is presented below:

Years ending December 31,

2023	\$	264,965
2024		181,569
2025		139,546
2026		80,576
Total lease payments		666,656
Less: Interest		(61,875)
Present value of lease liabilities	\$	<u>604,781</u>

Future amortization of Company’s ROU assets is presented below:

Twelve months ending December 31,

2023	\$	236,409
2024		159,095
2025		119,733
2026		74,064
Total	\$	<u>589,301</u>

Note 20 — Warrant liabilities

As of December 31, 2022, the Company has 5,750,000 public warrants and 270,500 private warrants.

The Company accounts for its outstanding Warrants in accordance with the guidance contained in ASC 815-40-15-7D and 7F. Management has determined that under the Private Warrants do not meet the criteria for equity treatment and must be recorded as liabilities. Accordingly, the Company classifies the Private Warrants as liabilities at their fair value and adjusts the Private Warrants to fair value at each reporting period. Management has further determined that its Public Warrants qualify for equity treatment. Warrant liability is subject to re-measurement at each balance sheet date until exercised, and any change in fair value is recognized in our statements of operations. The Private Warrants are valued using a Black Scholes model.

Public Warrants

On June 24, 2021, the Company sold 5,750,000 units at a price of \$10.00 per Public Unit in its Initial Public Offering. Each Public Unit consists of one ordinary share of the Company, \$0.0001 par value per share, one right and one redeemable warrant (the “Public Warrant”). Each Public Warrant entitles the holder to purchase one-half (1/2) of an ordinary share at an exercise price of \$11.50 per whole share, subject to adjustment as described in Form S-1 Amendment No. 2 filed on June 11, 2021. Pursuant to the warrant agreement, a warrant holder may exercise its warrants only for a whole number of shares. This means that only an even number of warrants may be exercised at any given time by a warrant holder.

No public warrants will be exercisable for cash unless the Company has an effective and current registration statement covering the ordinary shares issuable upon exercise of the warrants and a current prospectus relating to such ordinary shares. It is the Company’s current intention to have an effective and current registration statement covering the ordinary shares issuable upon exercise of the warrants and a current prospectus relating to such ordinary shares in effect promptly following consummation of an initial business combination.

The Public Warrants became exercisable on September 16, 2022, the later of (a) the consummation of a Business Combination, which was September 16, 2022, or (b) 12 months from the effective date of the registration statement relating to the Initial Offering, which was June 21, 2021. No Public Warrants will be exercisable for cash unless the Company has an effective and current registration statement covering the ordinary shares issuable upon exercise of the Public Warrants and a current prospectus relating to such ordinary shares. The Company has agreed that as soon as practicable, but in no event later than 15 business days after the closing of a Business Combination, the Company will use its best efforts to file, and within 60 business days following a Business Combination to have declared effective, a registration statement covering the ordinary shares issuable upon exercise of the warrants. Notwithstanding the foregoing, if a registration statement covering the ordinary shares issuable upon the exercise of the Public Warrants is not effective within 60 days, the holders may, until such time as there is an effective registration statement and during any period when the Company shall have failed to maintain an effective registration statement, exercise the Public Warrants on a cashless basis pursuant to an available exemption from registration under the Securities Act. If an exemption from registration is not available, holders will not be able to exercise their Public Warrants on a cashless basis. The Public Warrants will expire five years from the consummation of a Business Combination or earlier upon redemption or liquidation.

The Company may call the warrants for redemption (excluding the Private Warrants), in whole and not in part, at a price of \$0.01 per warrant:

- at any time while the Public Warrants are exercisable,
- upon not less than 30 days’ prior written notice of redemption to each Public Warrant holder,
- if, and only if, the reported last sale price of the ordinary shares equals or exceeds \$16.50 per share, for any 20 trading days within a 30-trading day period ending on the third trading day prior to the notice of redemption to Public Warrant holders, and
- if, and only if, there is a current registration statement in effect with respect to the issuance of the ordinary shares underlying such warrants at the time of redemption and for the entire 30-day trading period referred to above and continuing each day thereafter until the date of redemption.

If the Company calls the Public Warrants for redemption, management will have the option to require all holders that wish to exercise the Public Warrants to do so on a “cashless basis,” as described in the warrant agreement. The exercise price and number of ordinary shares issuable upon exercise of the warrants may be adjusted in certain circumstances including in the event of a share dividend, extraordinary dividend or recapitalization, reorganization, merger or consolidation. However, the warrants will not be adjusted for issuances of ordinary shares at a price below its exercise price. Additionally, in no event will the Company be required to net cash settle the warrants. If the Company is unable to complete a Business Combination within the Combination Period and the Company liquidates the funds held in the Trust Account, holders of warrants will not receive any of such funds with respect to their warrants, nor will they receive any distribution from the Company’s assets held outside of the Trust Account with respect to such warrants. Accordingly, the warrants may expire worthless.

Private Warrants

Simultaneously with the closing of the Initial Public Offering, the Company consummated a private placement of 270,500 Private Units at \$10.0 per unit, purchased by the sponsor. The Private Units are identical to the units sold in the Initial Public Offering except that the warrants included in the Private Units (the “Private Warrants”) and the ordinary shares issuable upon the exercise of the Private Warrants will not be transferable, assignable or saleable until after the completion of a Business Combination, subject to certain limited exceptions. Additionally, the Private Warrants will be exercisable on a cashless basis and will be non-redeemable so long as they are held by the initial purchasers or their permitted transferees. If the Private Warrants are held by someone other than the initial purchasers or their permitted transferees, the Private Warrants will be redeemable by the Company and exercisable by such holders on the same basis as the Public Warrants.

The private warrants are accounted for as liabilities in accordance with ASC 815-40 and are presented within warrant liabilities on the balance sheets. The warrants were classified as Level 3 at the initial measurement date due to the use of unobservable inputs.

The fair value of these warrants, using the Black-Scholes option pricing model, on the date of issuance was \$625,000. Variables used in the option-pricing model include (1) risk-free interest rate at the date of grant (0.90%), (2) expected warrant life of 5 years, (3) expected volatility of 58.40%, and (4) expected dividend yield of 0.

The key inputs into the Black-Scholes model were as follows at their following measurement dates:

Input	December 31, 2022	December 31, 2021
Share price	\$ 2.27	\$ 9.96
Risk-free interest rate	4.02%	1.26%
Volatility	65.2%	59.8%
Exercise price	11.50	11.50
Warrant life	4.71 years	5 years

As of December 31, 2021, the aggregate value of the private warrants was \$0.64 million. The change in fair value from December 31, 2021 to June 30, 2022 was approximately \$77,883 which was included in the historical retained earnings (accumulated deficits) of Golden Path. As of December 31, 2022, the aggregate value of the private warrants was \$0.062 million. The change in fair value for the year ended of December 31, 2022 was approximately \$0.656 million.

The following table presents information about the Company’s warrants that were measured at fair value on a recurring basis as of June 30, 2022 and December 31, 2022, and indicates the fair value hierarchy of the valuation techniques the Company utilized to determine such fair value.

Description	June 30, 2022	Quoted Prices In Active Markets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Other Unobservable Inputs (Level 3)
Liabilities:				
Warrant liability	\$ 717,873	\$ -	\$ -	\$ 717,873

Description	December 31, 2022	Quoted Prices In Active Markets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Other Unobservable Inputs (Level 3)
Liabilities:				
Warrant liability	\$ 61,709	\$ -	\$ -	\$ 61,709

The following table summarizes the Company's Warrants activities and status of Warrants on December 31, 2022:

Private Warrants	Warrants	Weighted Average Exercise Price Per Share	Average Remaining Period (Years)
Outstanding as of June 30, 2021	270,500	\$ 11.50	5
Issued	-	-	-
Forfeited	-	-	-
Exercised	-	-	-
Expired	-	-	-
Outstanding as of June 30, 2022	270,500	\$ 11.50	5
Issued	-	-	-
Forfeited	-	-	-
Exercised	-	-	-
Expired	-	-	-
Outstanding as of December 31, 2022	270,500	\$ 11.50	5

Note 21 — Commitments and contingencies

Contingencies

From time to time, the Company is party to certain legal proceedings, as well as certain asserted and un-asserted claims. Amounts accrued, as well as the total amount of reasonably possible losses with respect to such matters, individually and in the aggregate, are not deemed to be material to the consolidated financial statements.

COVID-19

The ongoing outbreak of the novel coronavirus (COVID-19) has spread rapidly to many parts of the world. In March 2020, the World Health Organization declared the COVID-19 as a pandemic. The pandemic has resulted in quarantines, travel restrictions, and temporary closure of stores and business facilities in China from February to mid-March in 2020. All of the Company's business operations and the workforce are concentrated in China, so the Company closed offices and implemented work-from-home policy during that period. Due to the nature of the Company's business, the impact of the closure on the operational capabilities was not significant. However, the Company's customers were negatively impacted by the pandemic and reduced their budgets for online advertising and marketing. In addition, the omicron variant of COVID-19 hit China hard in 2022. The surge in positive cases has resulted in local authorities implementing numerous unprecedented measures such as regional quarantines, travel restrictions, routine tests, and temporary closure of stores and business facilities in China, including Shanghai and Shenzhen. The reductions in travel and outdoor activities have caused diminishing market demand on entertainment services, which may negatively impact our business and revenue. The degree to which the pandemic ultimately impacts our business and results of operations will depend on future developments beyond our control, including the severity of the pandemic, the extent of actions to contain or treat the virus, how quickly and to what extent normal economic and operating conditions can resume, and the severity and duration of the global economic downturn that results from the pandemic.

Note 22 — Segments

ASC 280, “Segment Reporting”, establishes standards for reporting information about operating segments on a basis consistent with the Company’s internal organizational structure as well as information about geographical areas, business segments and major customers in financial statements for detailing the Company’s business segments.

The Company’s chief operating decision maker is the Chief Executive Officer, who reviews the financial information of the separate operating segments when making decisions about allocating resources and assessing the performance of the group. The Company has determined that it has two operating segments: (1) Holographic solutions, and (2) Holographic technology service.

The summary information by segment are as follows:

	Holographic solutions	Holographic technology service	Total December 31, 2022
Revenues	\$ 22,885,519	\$ 49,627,316	\$ 72,512,835
Cost of revenues	(18,696,052)	(20,638,106)	(39,334,158)
Gross profit	4,189,467	28,989,210	33,178,677
Depreciation and amortization	(410,344)	(606,781)	(1,017,125)
Total capital expenditures	\$ (270,756)	\$ -	\$ (270,756)

	Holographic solutions	Holographic technology service	Total December 31, 2021
Revenues	\$ 20,695,096	\$ 35,589,221	\$ 56,284,317
Cost of revenues	(14,566,478)	(2,480,186)	(17,046,664)
Gross profit	6,128,618	33,109,035	39,237,653
Depreciation and amortization	(406,504)	(640,923)	(1,047,427)
Total capital expenditures	\$ (20,320)	\$ (972)	\$ (21,292)

Total assets as of:

	Years ended December 31,	
	2022	2021
Holographic solutions	\$ 29,063,408	\$ 16,208,983
Holographic technology service	11,840,424	11,634,088
Total Assets	<u>\$ 40,903,832</u>	<u>\$ 27,843,071</u>

Disaggregated information of holographic solutions revenues by business lines are as follows:

	Years ended December 31,	
	2022	2021
Holographic Technology LiDAR Products	\$ 6,700,300	\$ 9,134,995
Holographic Technology Intelligence Vision software and Technology Development Service	1,881,253	2,213,521
Holographic Technology Licensing and Content Product	4,323,541	4,822,333
Holographic Hardware Sales	9,980,425	4,273,351
Total Holographic Solutions	<u>\$ 22,885,519</u>	<u>\$ 20,444,200</u>

Note 23 — Subsequent events

The Company did not identify any subsequent events that would have required adjustment or disclosure on the combined and consolidated financial statements.

Note 24 — Financial information of the parent company

The Company performed a test on the restricted net assets of consolidated subsidiary in accordance with Securities and Exchange Commission Regulation S-X Rule 4-08(e)(3), “General Notes to Financial Statements” and concluded that it was applicable for the Company to disclose the financial statements for MC, the parent company.

The subsidiary did not pay any dividends to the Company for the six months presented. For the purpose of presenting parent only financial information, the Company records its investment in its subsidiary under the equity method of accounting. Such investment is presented on the separate balance sheets of the Parent Company as “Investment in subsidiary” and the income of the subsidiary is presented as “share of income of subsidiary”. Certain information and footnote disclosures generally included in financial statements prepared in accordance with U.S. GAAP have been condensed and omitted.

The Company did not have significant capital and other commitments, long-term obligations, or guarantees as of December 31, 2022.

**PARENT COMPANY
BALANCE SHEETS**

	December 31, 2022	December 31, 2021
<u>ASSETS</u>		
Cash	\$ 582,069	\$ 23,261
Accounts receivable	-	100,000
Investment in subsidiaries	28,321,872	17,929,514
Total assets	<u>\$ 28,903,941</u>	<u>\$ 18,052,775</u>
<u>LIABILITIES AND EQUITY</u>		
LIABILITIES		
Accrued liabilities	\$ 338,619	\$ -
Due to related party	-	429,175
Warrant liabilities	61,709	-
Total liabilities	<u>400,328</u>	<u>429,175</u>
COMMITMENTS AND CONTINGENCIES		
EQUITY		
Ordinary shares, \$0.0001 par value	5,081	13,511
Additional paid-in capital	36,701,010	4,693,914
(Accumulated deficit) retained earnings	(9,119,628)	11,584,827
Statutory reserves	1,722,262	1,340,421
Accumulated other comprehensive loss	(805,112)	(9,073)
Total equity	<u>28,503,613</u>	<u>17,623,600</u>
Total liabilities and equity	<u>\$ 28,903,941</u>	<u>\$ 18,052,775</u>

PARENT COMPANY
STATEMENTS OF INCOME AND COMPREHENSIVE INCOME

	For the years ended December 31,	
	2022	2021
REVENUES	\$ -	\$ 1,100,000
COST OF REVENUES	-	(1,020,000)
GROSS PROFIT	-	80,000
COSTS AND EXPENSES		
General and Administrative expenses	(186,367)	(385,914)
Research and development expenses	(25,000,000)	-
Total costs and expenses	(25,186,367)	(385,914)
EQUITY INCOME OF SUBSIDIARIES	4,250,979	13,055,945
(LOSS)/INCOME BEFORE INCOME TAXES	(20,935,388)	12,750,031
(LOSS)/INCOME FROM OPERATION	(20,935,388)	12,750,031
CHANGE IN FAIR VALUE OF WARRANT LIABILITIES	656,164	-
PROVISION FOR INCOME TAXES	-	-
NET (LOSS)/INCOME	\$ (20,279,224)	\$ 12,750,031
FOREIGN CURRENCY TRANSLATION ADJUSTMENT	147,929	(5,025)
COMPREHENSIVE (LOSS)/INCOME	<u>\$ (20,131,295)</u>	<u>\$ 12,745,006</u>

**PARENT COMPANY
STATEMENTS OF CASH FLOWS**

	For the years ended December 31,	
	2022	2021
CASH FLOWS FROM OPERATING ACTIVITIES:		
Net (loss)/income	\$ (20,279,224)	\$ 12,750,031
Adjustments to reconcile net income to net cash (used in) provided by operating activities:		
Equity income of subsidiaries	(4,250,979)	(13,055,945)
Change in fair value of warrant liabilities	(656,164)	-
Change in operating assets and liabilities:		
Accounts receivable	100,000	(100,000)
Other payables and accrued liabilities	72,923	429,175
Net cash (used in)/provided by operating activities	<u>(25,013,444)</u>	<u>23,261</u>
CASH FLOWS FROM FINANCING ACTIVITIES:		
Amounts advanced to subsidiary	(7,644,168)	-
Cash received from recapitalization	33,216,420	-
Net cash provided by financing activities	<u>25,572,252</u>	<u>-</u>
EFFECT OF EXCHANGE RATE ON CASH AND CASH EQUIVALENTS	\$ -	\$ -
CHANGES IN CASH	\$ 558,808	\$ 23,261
CASH, beginning of period	<u>\$ 23,261</u>	<u>\$ -</u>
CASH, end of period	<u><u>\$ 582,069</u></u>	<u><u>\$ 23,261</u></u>

Item 9. Changes in and Disagreements With Accountants on Accounting and Financial Disclosure.

None.

Item 9A. Controls and Procedures.

Evaluation of Disclosure Controls and Procedures

Disclosure controls and procedures are controls and other procedures that are designed to ensure that information required to be disclosed in our reports filed or submitted under the Exchange Act is recorded, processed, summarized and reported within the time periods specified in the SEC's rules and forms. Disclosure controls and procedures include, without limitation, controls and procedures designed to ensure that information required to be disclosed in our reports filed or submitted under the Exchange Act is accumulated and communicated to our management, including our Chief Executive Officer and Chief Financial Officer, to allow timely decisions regarding required disclosure.

In connection with the audit of our consolidated financial statements as of December 31, 2022, we identified material weaknesses in our internal control over financial reporting: (i) we did not maintain an effective control environment; and (ii) we lacked formal policies and procedures to establish a risk assessment process and internal control framework and lacked an audit committee and the internal audit function to establish formal risk assessment process and internal control framework. The material weaknesses could result in misstatements to our account balances or disclosures that would result in a material misstatement to the annual or interim consolidated financial statements that would not be prevented or detected.

Our management has implemented remediation steps to improve our internal control over financial reporting. Specifically, we plan to (i) hire personnel expertized in technical accounting and financial reporting and provide internal training to our accounting team on U.S. GAAP knowledge; (ii) improve our accounting and financial reporting procedures and provide access to third-party professionals; (iii) adopt various reporting systems to ensure the completeness, timeliness and accuracy our financial reporting; (iv) identify and evaluating risks we face; (v) adopting control activities to be taken to mitigate risks with written policies and procedures; (vi) ensure efficient internal and external communication environment and all parts we are adhering to standard practices; and (vii) monitor regularly to verify that internal controls are functioning properly. Our management will continue to monitor the effectiveness of our remediation plans and will make the changes we determine to be appropriate.

Our management, with the participation of our Chief Executive Officer and Chief Financial Officer, has evaluated the effectiveness of our disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(c) and 15d-15(e)) as of the end of the period covered by this report. In making this evaluation, management considered the material weaknesses in our internal controls over financial reporting described above. Based upon that evaluation, our Chief Executive Officer and Chief Financial Officer concluded that, as of December 31, 2022, the period covered in this report, our disclosure controls and procedures were not effective.

Notwithstanding the assessment that our disclosure controls and procedures are not effective and that material weaknesses existed as of December 31, 2022, we believe that we have performed sufficient supplementary procedures to ensure that the consolidated financial statements contained in this filing fairly present our financial position, results of operations and cash flows for the reporting periods covered herein in all material respects.

Management's Report on Internal Control over Financial Reporting

As discussed elsewhere in this Annual Report on Form 10-K, we completed the Business Combination on September 16, 2022. Prior to the Business Combination, we were a special purpose acquisition company formed for the purpose of effecting a merger, capital stock exchange, asset acquisition, stock purchase, reorganization or other similar business combination with one or more operating businesses. As a result, previously existing internal controls are no longer applicable or comprehensive enough as of the assessment date as our operations prior to the Business Combination were insignificant compared to those of the consolidated entity post-Business Combination. In addition, the previously identified and disclosed material weaknesses in connection with the accounting for certain complex financial instruments (such as the warrants) have been absorbed in the material weaknesses in internal control over financial reporting of the consolidated entity post-Business Combination as discussed above. The design of internal controls over financial reporting for the Company post-Business Combination has required and will continue to require significant time and resources from management and other personnel. We have, since the closing of the Business Combination, engaged in the process of design and implementation of our internal control over financial reporting in a manner commensurate with the scale of our operations. However, the design of internal control over financial reporting for our company post-Business Combination has required, and will continue to require, significant time and resources from management and other personnel. As a result, management was unable, without incurring unreasonable effort or expense to conduct an assessment of our internal control over financial reporting as of December 31, 2022. Accordingly, we are excluding management's report on internal control over financial reporting pursuant to Section 215.02 of the SEC Division of Corporation Finance's Regulation S-K Compliance & Disclosure Interpretations.

Changes in Internal Control over Financial Reporting

On September 16, 2022, we consummated the Business Combination. See Note 3 — Reverse Recapitalization to the consolidated financial statements. We are currently integrating policies, processes, people, technology and operations for the combined company. Management will continue to evaluate our internal control over financial reporting as we execute integration activities. Other than as noted above, and in connection with the implementation of the remedial measures described above, there were no changes in our internal control over financial reporting (as such term is defined in Rules 13a-15(f) and 15d-15(f) of the Exchange Act) during the quarter ended December 31, 2022 that have materially affected, or are reasonably likely to materially affect, our internal control over financial reporting.

Inherent Limitations on the Effectiveness of Controls

The effectiveness of any system of internal control over financial reporting, including ours, is subject to inherent limitations, including the exercise of judgment in designing, implementing, operating, and evaluating the controls and procedures, and the inability to eliminate misconduct completely. Accordingly, in designing and evaluating the disclosure controls and procedures, management recognizes that any system of internal control over financial reporting, including ours, no matter how well designed and operated, can only provide reasonable, not absolute assurance of achieving the desired control objectives. In addition, the design of disclosure controls and procedures must reflect the fact that there are resource constraints and that management is required to apply its judgment in evaluating the benefits of possible controls and procedures relative to their costs. Moreover, projections of any evaluation of effectiveness to future periods are subject to the risk that controls may become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate. We intend to continue to monitor and upgrade our internal controls as necessary or appropriate for our business but cannot assure you that such improvements will be sufficient to provide us with effective internal control over financial reporting.

Item 9B. Other Information.

None.

Item 9C. Disclosure Regarding Foreign Jurisdictions That Prevent Inspections.

None.

PART III

Item 10. Directors, Executive Officers and Corporate Governance.

The following table sets forth certain information regarding our executive officers and members of the Company's board of directors (the "Board of Directors") as of the date of this Annual Report:

Name	Age	Position	Served From
Wei Peng	39	Chairman of the Board of Directors	September 2022
Guohui Kang	46	Director, Chief Executive Officer	September 2022
Bei Zhen	34	Chief Financial Officer	September 2022
Guolong Qi	46	Chief Operating Officer	September 2022
Jianbo Zhou	44	Chief Technology Officer	September 2022
Belief Bi ⁽¹⁾⁽²⁾⁽³⁾	37	Independent Director	February 2023
Maggie Wang ⁽¹⁾⁽²⁾⁽³⁾	42	Independent Director	February 2023
Han Qin ⁽¹⁾⁽²⁾⁽³⁾	39	Independent Director	September 2022
Jun Liu ^{(1)(2)(3)*}	51	Independent Director	September 2022

Note:

- (1) Member of the compensation committee.
- (2) Member of the nominating committee.
- (3) Member of the audit committee.

* Mr. Jun Liu previously served as an independent director of Golden Path from June 24, 2021 to September 16, 2022.

Biographical Information

Wei Peng has been serving as our Chairman of the Board of Directors since September 2022. From 2021, Ms. Peng has served as a director of MC. Prior to joining MC, she has also served as a director of Softcloud Digital Software Co., Ltd. since 2006. From 2010 till the date of this proxy statement, she has been serving as supervisor for Lvxun Network Technology Co., Ltd. and has concurrently served as a director of Enwei Quantum Capital Investment Co., Ltd. since 2015. Ms. Peng graduated from the Beijing Normal University majoring in computer science in 2005.

Guohui Kang has been serving as our Chief Executive Officer and director since September 2022. From 2016, Mr. Kang has served as the chief executive officer of Shanghai Mengyun Holographic Technology Co., Ltd. He served as the general manager of Haotian Investment Co., Ltd. from 2011 to 2016. From 2002 to 2010, he served as the sales manager and director of Shenzhen Qixin Technology Co., Ltd. From 1999 to 2002, he was the refrigeration system design engineer in Guangdong Midea Group. Mr. Kang graduated from Wuhan University of Technology in 1999.

Bei Zhen has been serving as our Chief Financial Officer since September 2022. In October 2019, she founded Shenzhen Aixi Culture Communication Co., Ltd. and served as the chief executive officer. From December 2015 to October 2019, she served as the director of the Corporate Finance Department in Sun Hung Kai Financial Group. From April 2012 to December 2015, she worked in the Fund Department of Shenzhen Innovation Investment Group Co., Ltd. From July 2011 to February 2012, she served as assistant to the chief executive officer of the Global Asset Management Department of HSBC. Ms. Zhen obtained a master's degree in accounting and finance from the University of Bristol in February 2012 and a bachelor's degree in financial economics from the University of Leicester in July 2010.

Guolong Qi has been serving as our Chief Operating Officer since September 2022. From January 2017, Mr. Qi has served as the general manager of Shanghai Mengyun Holographic Technology Co., Ltd. From June 2011 to December 2016, he served as the deputy general manager of Shenzhen Chuangshi Interactive Technology Co., Ltd. From May 2010 to May 2011, he worked as project manager of Guangzhou Jiepu Electronics Company. From January 2001 to May 2010, he worked in Epson Technology (Shenzhen) Co., Ltd. From July 1999 to December 2000, he worked as an engineer in Huaxin Cement Co., Ltd. Mr. Qi obtained his master's degree in financial market and portfolio management from the University of Hong Kong in July 2017 and graduated from the Wuhan University of Technology in 1999.

Jianbo Zhou has been serving as our Chief Technology Officer since September 2022. Prior to becoming the Chief Technology Officer of MC and in 2018, he served as the chief executive officer of Shenzhen Bowei Vision Technology Co., Ltd., which is a subsidiary of MC. Prior to joining MC, from July 2005 to September 2010, Mr. Zhou was responsible for the development of the WCDMA Base Station System with ZTE, assisting China Unicom, a major telecommunication provider in China, to complete the commercial deployment of the 3G system in Hong Kong, France, and in other locales. He was also responsible for developing a number of patents. From 2010 to 2012, Mr. Zhou led the development and acceptance of an innovation fund project of Shenzhen Science and Technology Commission, and obtained the Shenzhen high-level professional certificate in 2012. Mr. Zhou obtained a master's degree in computer software from Wuhan University in 2005 and a bachelor's degree in computer application from Wuhan University in 2000.

Belief Bi has been serving as our independent director since February 2023. Mr. Bi has extensive experience in the operation, legal and compliance areas of U.S. public companies. Prior to joining our Company, Mr. Belief Bi has served as the president of Beijing Zhixing Classroom Education Consulting Co., Ltd. since June 2017. Between 2015 and 2017, he served as the vice president in Beijing Shengyuan Fengheng Venture Capital Co., Ltd. and the executive secretary in Dianjing Smart Industry Alliance. Prior to that, Mr. Bi worked as an assistant president in Ninetowns Group (Nasdaq: NINE) from 2013 to 2015, where he was responsible for the agricultural e-commerce and real estate segments of the company. Mr. Bi received a bachelor of law degree from China University of Political Science and Law in 2010.

Maggie Wang has been serving as our independent director since February 2023. Ms. Wang has extensive experience in financial accounting, internal control and risk management. Ms. Wang has over 16 years of experience in the financial services industry in Asia. Further, she has direct oversight on specific risk management functions such as financial and insurance product control, assets and liabilities management and customer risk management. Prior to joining our Company, Ms. Maggie Wang has served as the regional director and treasurer of Prudential HK Limited since 2013. Between 2006 and 2012, she served as the chief accountant in Wall Street English since 2006. Ms. Wang is a Chartered Financial Analyst, an Associate Financial Planner and a Registered Financial Planner in US. Ms. Wang received a bachelor's degree from the University of Guangzhou and an MBA degree from Jinan University.

Han Qin has been serving as our independent director since February 2023. Ms. Qin served as an independent director of China Trends Holdings Limited from 2020 to 2021. She has been the investment director and executive director in Rider Family Office since 2018. From April 2018 to February 2020, she served as the investment director in Shenzhen Zhongxiang Capital Management Co., Ltd. From May 2014 to March 2016, she served as the director, assistant president and joint founder in Asia Fortune Media Group Limited. From July 2005 to September 2007, she served as the director of department of planning in China Major Bridge Engineering Co., Ltd. Ms. Qin obtained a Doctor of Philosophy degree in industrial and manufacturing systems engineering from the University of Hong Kong in May 2014, a master's degree in management science and engineering from the Wuhan University in June 2009, and a bachelor's degree in engineering management in June 2005.

Jun Liu has been serving as our independent director since February 2023. Mr. Liu previously served on the board of directors of Golden Path. From August 2018, Mr. Liu has been serving on the board of directors of Longevity Acquisition Corporation (Nasdaq: LOAC). He has served as the president of Beijing Wanfeng Xingye Investment Management Co., Ltd., a China based investment company since January 2014. From 2004 to January 2014, he served as the president of Zhongansheng Investment Consulting Co., Ltd. From 2002 to 2004, Mr. Liu served as the vice president of Beijing Xingyun Co., Ltd. From 1999 to 2002, Mr. Liu served as the CEO of Weixin (China) Venture Investment Co., Ltd. and the director of Venture Capital Research Center of Renmin University. From 1993 to 1996, Mr. Liu served as government official in the State Auditing Administration. Mr. Liu received his bachelor's degree of Finance and Accounting from the Wuhan University in 1989 and received his Master of Business Administration degree from the Renmin University located in China in 1999. His investment portfolios cover wide range of sectors, including TMT, education, clean energy, technology, and chemical industries.

Committees of Our Board of Directors

Our board of directors has established an audit committee, a compensation committee, and a nominating committee. The composition and responsibilities of each of these committees of our board of directors are described below. Members serve on these committees until their resignation or until otherwise determined by our board of directors. Our board of directors may have or establish other committees as it deems necessary or appropriate from time to time.

Audit Committee

Our Audit Committee consists of Mr. Belief Bi, Ms. Maggie Wang, Ms. Han Qin and Mr. Jun Liu. We have determined that each of them satisfies the “independence” requirements of Rule 5605(c)(2) of the Listing Rules of the Nasdaq and meet the independence standards under Rule 10A-3 under the Exchange Act, as amended. We have also determined that Ms. Maggie Wang qualifies as an “audit committee financial expert.” The chair of our Audit Committee is Ms. Maggie Wang. The Audit Committee oversees our accounting and financial reporting processes and the audits of our financial statements. The Audit Committee is responsible for, among other things:

- establishing clear hiring policies for employees or former employees of the independent auditors;
- reviewing and recommending to our Board of Directors for approval, the appointment, re-appointment or removal of the independent auditor, after considering our annual performance evaluation of the independent auditor;
- approving the remuneration and terms of engagement of the independent auditor and pre-approving all auditing and non-auditing services permitted to be performed by our independent auditors at least annually;
- obtaining a written report from our independent auditor describing matters relating to our independence and quality control procedures;
- reviewing with the independent registered public accounting firm any audit problems or difficulties and management’s response;
- discussing with our independent auditor, among other things, the audits of the financial statements, including whether any material information should be disclosed, issues regarding accounting and auditing principles and practices;
- reviewing and approving all proposed related party transactions, as defined in Item 404 of Regulation S-K under the Securities Act;
- reviewing and recommending the financial statements for inclusion within our quarterly earnings releases and to our Board of Directors for inclusion in our annual reports;
- discussing the annual audited financial statements with management and the independent registered public accounting firm;
- reviewing policies with respect to risk assessment and risk management;
- reviewing the adequacy and effectiveness of our accounting and internal control policies and procedures and any special steps taken to monitor and control major financial risk exposures;
- periodically reviewing and reassessing the adequacy of the committee charter;
- approving annual audit plans, and undertaking an annual performance evaluation of the internal audit function;

- establishing and overseeing procedures for the handling of complaints and whistleblowing;
- meeting separately and periodically with management, the internal auditors and the independent registered public accounting firm;
- monitoring compliance with our code of business conduct and ethics, including reviewing the adequacy and effectiveness of our procedures to ensure proper compliance;
- reporting periodically to our Board of Directors; and
- such other matters that are specifically delegated to our audit committee by our Board of Directors from time to time.

Nominating and Corporate Governance Committee

Our Nominating Committee consists of Mr. Belief Bi, Ms. Maggie Wang, Ms. Han Qin and Mr. Jun Liu. We have determined that each of them satisfies the “independence” requirements of Rule 5605(c)(2) of the Listing Rules of the Nasdaq and meet the independence standards under Rule 10A-3 under the Exchange Act, as amended. The Nominating Committee is responsible for overseeing the selection of persons to be nominated to serve on our Board of Directors. The Nominating Committee considers persons identified by its members, management, stockholders, investment bankers and others.

The guidelines for selecting nominees, which are specified in the Nominating Committee Charter, generally provide that persons to be nominated:

- should have demonstrated notable or significant achievements in business, education or public service;
- should possess the requisite intelligence, education and experience to make a significant contribution to the board of directors and bring a range of skills, diverse perspectives and backgrounds to its deliberations; and
- should have the highest ethical standards, a strong sense of professionalism and intense dedication to serving the interests of the stockholders.

The Nominating Committee will consider a number of qualifications relating to management and leadership experience, background and integrity and professionalism in evaluating a person’s candidacy for membership on the board of directors. The nominating committee may require certain skills or attributes, such as financial or accounting experience, to meet specific board needs that arise from time to time and will also consider the overall experience and makeup of its members to obtain a broad and diverse mix of board members. The nominating committee does not distinguish among nominees recommended by stockholders and other persons.

Compensation Committee

Our Compensation Committee consists of Mr. Belief Bi, Ms. Maggie Wang, Ms. Han Qin and Mr. Jun Liu. We have determined that each of them satisfies the “independence” requirements of Rule 5605(c)(2) of the Listing Rules of the Nasdaq and meet the independence standards under Rule 10A-3 under the Exchange Act, as amended. The chair of our compensation committee is Mr. Han Qin. The principal functions of the compensation committee include:

- reviewing and approving on an annual basis the corporate goals and objectives relevant to our Chief Executive Officer’s compensation, evaluating our Chief Executive Officer’s performance in light of such goals and objectives and determining and approving the remuneration (if any) of our Chief Executive Officer’s based on such evaluation;

- reviewing and approving the compensation of all of our other officers;
- reviewing our executive compensation policies and plans;
- implementing and administering our incentive compensation equity-based remuneration plans;
- assisting management in complying with our proxy statement and annual report disclosure requirements;
- approving all special perquisites, special cash payments and other special compensation and benefit arrangements for our officers and employees;
- producing a report on executive compensation to be included in our annual proxy statement; and
- reviewing, evaluating and recommending changes, if appropriate, to the remuneration for directors.

The compensation committee may, in its sole discretion, retain or obtain the advice of a compensation consultant, legal counsel or other adviser and will be directly responsible for the appointment, compensation and oversight of the work of any such adviser. However, before engaging or receiving advice from a compensation consultant, external legal counsel or any other adviser, the compensation committee will consider the independence of each such adviser, including the factors required by the Nasdaq and the SEC.

Family Relationships

No family relationships existed among any of our directors or executive officers.

Code of Ethics

We have adopted a “Code of Ethics” as defined by regulations promulgated under the Securities Act of 1933, as amended, and the Exchange Act that applies to all of our directors and employees, including our principal executive officer, principal financial officer and principal accounting officer.

Section 16(A) Beneficial Ownership Reporting Compliance

Section 16(a) of the Exchange Act requires our directors and executive officers, and persons who beneficially own more than ten percent of a registered class of our equity securities, to file with the SEC initial reports of ownership and reports of changes in ownership of our common stock and other equity securities. Officers, directors and greater than ten percent beneficial owners are required by SEC regulations to furnish us with copies of all Section 16(a) forms they file.

To our knowledge, based solely on our review of Forms 3, 4 and 5, and any amendments thereto, furnished to us or written representations that no Form 5 was required, we believe that during the fiscal year ended December 31, 2022, all filing requirements applicable to our executive officers and directors under the Exchange Act were met in a timely manner.

Item 11. Executive Compensation.

Summary Compensation Table

The following summary compensation table sets forth the compensation earned by our named executive officers for the years ended December 31, 2021 and 2022.

Name	Fiscal Year	Salary (\$)	Bonus (\$)	Stock Awards (\$)	All Other Compensation (\$)	Total (\$)
Wei Peng ⁽¹⁾	2021	0	0	0	0	0
<i>Chairman of the Board of Directors</i>	2022	0	0	0	0	0
Guohui Kang ⁽¹⁾	2021	0	0	0	0	0
<i>Director, Chief Executive Officer</i>	2022	53,499.8	0	0	0	53,499.8
Bei Zhen ⁽¹⁾	2021	0	0	0	0	0
<i>Chief Financial Officer</i>	2022	35,666.5	0	0	0	35,666.5
Guolong Qi ⁽¹⁾	2021	0	0	0	0	0
<i>Chief Operating Officer</i>	2022	53,499.8	0	0	0	53,499.8
Jianbo Zhou ⁽¹⁾	2021	0	0	0	0	0
<i>Chief Technology Officer</i>	2022	27,641.6	0	0	0	27,641.6
Xu Zhang ⁽²⁾	2021	0	0	0	0	0
<i>Independent Director</i>	2022	0	0	0	0	0
Mi Zhou ⁽³⁾	2021	0	0	0	0	0
<i>Independent Director</i>	2022	0	0	0	0	0
Han Qin ⁽¹⁾	2021	0	0	0	0	0
<i>Independent Director</i>	2022	0	0	0	0	0
Jun Liu*	2021	0	0	0	0	0
<i>Independent Director</i>	2022	0	0	0	0	0

Note:

(1) Served on the position since September 16, 2022;

(2) Resigned from his position on February 2023;

(3) Resigned from her position on February 2023;

* Mr. Jun Liu previously served as an independent director of Golden Path from June 24, 2021 to September 16, 2022.

Compensation Plans

Mr. Guohui Kang, Ms. Bei Zhen, Mr. Guolong Qi and Mr. Jianbo Zhou will be provided with the following salary: (a) an annual base salary in cash of \$53,499.8, \$35,666.5, \$53,499.8 and \$27,641.6, respectively; and (b) during the executive's term, the Company will reimburse for all reasonable out-of-pocket travel expenses incurred by them in attending any in-person meetings, provided that they comply with the generally applicable policies, practices and procedures of the Company for submission of expense reports, receipts or similar documentation of such expenses.

We have no arrangements for the remuneration of our independent directors, except that they will be entitled to receive reimbursement for actual, demonstrable out-of-pocket expenses, including travel expenses, if any. No compensation was paid to our independent directors during the year ended December 31, 2022.

The Company's management members may receive additional compensation as determined by the Board.

Employment Agreements

We entered into employment agreements with our executive directors and officers.

Option Grants

We had no outstanding equity awards as of the end of fiscal years ended December 31, 2021 and 2022.

Option Exercises and Fiscal Year-End Option Value Table

There were no stock options exercised during fiscal years ended December 31, 2021 and 2022 by the executive officers.

Outstanding Equity Awards at Fiscal Year End

No equity awards were outstanding as of the year ended December 31, 2022.

Item 12. Security Ownership of Certain Beneficial Owners and Management and Related Stockholder Matters.

The table below sets forth information, as of December 31, 2022, with respect to the beneficial ownership of our ordinary shares by: (a) each named executive officer, each of our directors, and our directors and executive officers as a group; and (b) each person or entity known by us to own beneficially more than 5% of our ordinary shares (by number and by voting power).

Name and Address of Beneficial Owner	Ordinary Shares		Voting Power
	Number	%†	(%)†
Executive Officers and Directors			
Guohui Kang ⁽¹⁾	5,063,006	9.96%	9.96%
Bei Zhen	-	-	-
Guolong Qi	-	-	-
Jianbo Zhou ⁽²⁾	675,068	1.33%	1.33%
Wei Peng ^{(3)*}	8,302,047	16.34%	16.34%
Mi Zhou*	-	-	-
Han Qin	-	-	-
Jun Liu	-	-	-
All Executive Officers and Directors as a group	14,040,121	27.63%	27.63%
5% or Greater Holders			
Best Road Holdings Limited ⁽³⁾	8,302,047	16.34%	16.34%
Tiger Initiative Investment Ltd ⁽⁴⁾	6,750,675	13.29%	13.29%
Super plus Holding Limited ⁽⁵⁾	5,063,006	9.96%	9.96%
Import & Export Guojin Development Co., Ltd ⁽¹⁾	5,063,006	9.96%	9.96%
Wu Yue Investment Ltd ⁽⁶⁾	4,387,939	8.64%	8.64%
Lucky monkey Holding Limited ⁽⁷⁾	4,050,405	7.97%	7.97%
Sensegain Prosperity Holding Limited ⁽⁸⁾	3,639,120	7.16%	7.16%
Innovation Spark Technology Limited ⁽⁹⁾	3,375,338	6.64%	6.64%

Note:

† Based on 50,812,035 shares of common stock, par value \$0.0001 per share, outstanding as of March 13, 2023.

- (1) Import & Export Guojin Development Co., Ltd is the record holder of our ordinary shares. Guohui Kang, as the sole director and sole shareholder of Import & Export Guojin Development Co., Ltd, has voting and investment discretion over these shares and therefore may be deemed to beneficially own such shares.
- (2) Brilliantrf Holdings Limited is the record holder of our ordinary shares. Jianbo Zhou, as the sole director and sole shareholder of Brilliantrf Holdings Limited, has voting and investment discretion over these shares and therefore may be deemed to beneficially own such shares.
- (3) Best Road Holdings Limited is the record holder of our ordinary shares. Wei Peng, as the sole director and sole shareholder of Best Road Holdings Limited, has voting and investment discretion over these shares and therefore may be deemed to beneficially own such shares.
- (4) Zongge Zhang, as the sole director and sole shareholder of Tiger Initiative Investment Ltd, has voting and investment discretion over these shares and therefore may be deemed to beneficially own such shares.
- (5) Shuyuan Xu, as the sole director and sole shareholder of Super plus Holding Limited, has voting and investment discretion over these shares and therefore may be deemed to beneficially own such shares.
- (6) Hao Wu, as the sole director and sole shareholder of Wu Yue Investment Ltd, has voting and investment discretion over these shares and therefore may be deemed to beneficially own such shares.
- (7) Jiahui Lu, as the sole director and sole shareholder of Lucky monkey Holding Limited, has voting and investment discretion over these shares and therefore may be deemed to beneficially own such shares.
- (8) Minwen Wu, as a beneficial owner of Sensegain Prosperity Holding Limited, has voting and investment discretion over these shares.
- (9) Feirong Hu, as the sole director and sole shareholder of Innovation Spark Technology Limited, has voting and investment discretion over these shares and therefore may be deemed to beneficially own such shares.

* Resigned from his/her positions on February 3, 2023.

Item 13. Certain Relationships and Related Transactions, and Director Independence.**Transactions with Related Parties**

We do not have related party transactions during the fiscal year ended December 31, 2022.

Director Independence

Our board of directors has undertaken a review of the independence of each director. Belief Bi, Maggie Wang, Han Qing and Jun Liu are all non-employee directors, all of whom our Board has determined to be independent pursuant to Nasdaq rules. All of the members of our Audit Committee, Nominating Committee and Compensation Committee are independent pursuant to Nasdaq rules.

Item 14. Principal Accountant Fees and Services.

The following table represents the aggregate fees from our current principal accounting firm, Assentsure PAC and former principal accounting firm, Friedman LLP for the years ended December 31, 2021 and 2022, respectively.

	2021	2022
Audit Fees	\$ 380,000	\$ 661,500
Audit Related Fees	\$ -	\$ -
Tax Fees	\$ -	\$ -
All other fees	\$ -	\$ -
Total Fees	\$ 380,000	\$ 661,500

Audit Fees — This category includes the audit of our annual financial statements and services that are normally provided by the independent auditors in connection with engagements for those fiscal years.

Audit-Related Fees — This category consists of assurance and related services by the independent auditors that are reasonably related to the performance of the audit or review of our financial statements and are not reported above under “Audit Fees”.

Tax Fees — This category consists of professional services rendered by the Company’s independent registered public accounting firm for tax compliance and tax advice. The services for the fees disclosed under this category include tax return preparation and technical tax advice.

All Other Fees — This category consists of fees for other miscellaneous items.

Pre-Approval Policies and Procedures

All of the services rendered to us by our independent registered public accountants were pre-approved by the Audit Committee.

PART IV

Item 15. Exhibits, Financial Statement Schedules.

We have filed the following documents as part of this Annual Report on Form 10-K:

- (1) Consolidated Financial Statements

The audited balance sheets of the Company as of December 31, 2022, the related statements of operations and comprehensive income, changes in stockholders' equity and cash flows for the year then ended, the footnotes thereto, and the report of Assenture PAC, independent auditors, are filed herewith.

- (2) Financial Statement Schedules:

None.

- (3) Exhibits

The documents set forth below are filed herewith or incorporated herein by reference to the location indicated.

Exhibit No.	Description	Incorporated by Reference		
		Form	Exhibit	Filing Date
2.1	Business combination and Merger Agreement dated as of September 10, 2021 by and among MC Hologram, Inc., Golden Path Acquisition Corporation and Golden Path Merger Sub Corporation	8-K	2.1	September 13, 2021
2.2	First Amendment to the Business Combination and Merger Agreement dated as of August 5, 2022	8-K	2.2	September 22, 2022
2.3	Second Amendment to the Business Combination and Merger Agreement dated as of August 10, 2022	8-K	2.3	September 22, 2022
3.1	MicroCloud Hologram Inc. Amended and Restated Articles of Incorporation	8-K	3.1	September 22, 2022
4.1	Specimen Ordinary Share Certificate	8-K	4.1	September 22, 2022
4.2	Specimen Warrant Certificate	8-K	4.2	September 22, 2022
4.3	Warrant Agreement between VStock Transfer LLC and Golden Path Acquisition Corporation	8-K	4.3	September 22, 2022
10.1	Form of Lock-Up Agreement	8-K	10.1	September 22, 2022
10.2	Form of Indemnification Agreement	8-K	10.2	September 22, 2022
10.3	Form of Registration Rights Agreement	8-K	10.3	September 22, 2022
10.4	Form of Non-Competition and Non-Solicitation Agreements	8-K	10.4	September 22, 2022
10.5	Form of Employment Agreement between the Registrant and each of its executive directors and officers			
10.6	Form of Director Offer Letter between the Registrant and each of its independent directors			
21.1	List of Subsidiaries			
24.1	Power of Attorney (reference is made to the signature page hereto).			

31.1	<u>Certification of Principal Executive Officer pursuant to Rule 13a-14(a) and 15d-14(a) under the Exchange Act, as adopted pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.</u>
31.2	<u>Certification of Principal Financial Officer pursuant to Rule 13a-14(a) and 15d-14(a) under the Exchange Act, as adopted pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.</u>
32.1#	<u>Certification of Principal Executive Officer pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.</u>
32.2#	<u>Certification of Principal Financial Officer pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.</u>
101.INS	Inline Instance Document
101.SCH	Inline Taxonomy Extension Schema Document
101.CAL	Inline Taxonomy Extension Calculation Linkbase Document
101.DEF	Inline Taxonomy Extension Definition Linkbase Document
101.LAB	Inline Taxonomy Extension Label Linkbase Document
101.PRE	Inline Taxonomy Extension Presentation Linkbase Document
104	Cover Page Interactive Data File (embedded within the Inline XBRL document)

This certification is deemed not filed for purpose of Section 18 of the Exchange Act or otherwise subject to the liability of that section, nor shall it be deemed incorporated by reference into any filing under the Securities Act or the Exchange Act.

Item 16. Form 10-K Summary.

None.

SIGNATURES

Pursuant to the requirements of Section 13 or 15(d) of the Securities Exchange Act of 1934 the Registrant has duly caused this Report to be signed on its behalf by the undersigned, thereunto duly authorized.

MicroCloud Hologram Inc.

By: /s/ Guohui Kang
Guohui Kang
Chief Executive Officer
(Principal Executive Officer)

By: /s/ Bei Zhen
Bei Zhen
Chief Financial Officer
(Principal Financial Officer)

Pursuant to the requirements of the Securities Exchange Act of 1934 this Report has been signed below by the following persons on behalf of the Registrant in the capacities and on the dates indicated.

	Title	Date
<u>/s/ Wei Peng</u> Wei Peng	Chairman of the Board of Directors	March 14, 2023
<u>/s/ Guohui Kang</u> Guohui Kang	Director, Chief Executive Officer (Principal Executive Officer)	March 14, 2023
<u>/s/ Bei Zhen</u> Bei Zhen	Chief Financial Officer (Principal Financial Officer)	March 14, 2023
<u>/s/ Guolong Qi</u> Guolong Qi	Chief Operating Officer	March 14, 2023
<u>/s/ Jianbo Zhou</u> Jianbo Zhou	Chief Technology Officer	March 14, 2023
<u>/s/ Belief Bi</u> Belief Bi	Independent Director	March 14, 2023
<u>/s/ Maggie Wang</u> Maggie Wang	Independent Director	March 14, 2023
<u>/s/ Han Qin</u> Han Qin	Independent Director	March 14, 2023
<u>/s/ Jun Liu</u> Jun Liu	Independent Director	March 14, 2023

EMPLOYMENT AGREEMENT

This EMPLOYMENT AGREEMENT (the “Agreement”), is entered into as of _____ (the “Effective Date”), by and between MicroCloud Hologram Inc., incorporated under the laws of the Cayman Islands (the “Company”), and _____, an individual (the “Executive”) (individually, each a “Party” and collectively, the “Parties”). Except with respect to the direct employment of the Executive by the Company, the term “Company” as used herein with respect to all obligations of the Executive hereunder shall be deemed to include the Company and all of its subsidiaries and affiliated entities (collectively, the “Group”).

WHEREAS, the Company desires that the Executive be employed by the Company to carry out the duties and responsibilities described below, all on the terms and conditions hereinafter set forth.

WHEREAS, the Executive desires to accept such terms and conditions of this Agreement.

NOW THEREFORE, in consideration of the mutual promises contained herein, the adequacy and sufficiency of which are hereby acknowledged, and intending to be legally bound hereby, the Parties hereby agree as follows:

1. POSITION

The Executive hereby accepts the positions of _____ (the “Employment”) of the Company.

2. TERM

Subject to the terms and conditions of this Agreement, the term of the Employment shall commence on the Effective Date and will expire _____ years after the Effective Date or until the Executive’s earlier death, resignation or removal. The term may be renewed with the parties’ mutual agreement before one month of the expiration of the Employment.

The Executive shall have a probation period of _____ months (the “Probation Period”). The Company’s board of directors (the “Board”) of the Company has the right to finally decide whether to formally hire the Executive based on the Executive’s work performance and capabilities during the Probation Period.

3. DUTIES AND RESPONSIBILITIES

- (a) The Executive’s duties at the Company will include (i) all jobs of Executive customarily related to this function; and (ii) all reasonable jobs determined or assigned by the Board.
 - (b) The Executive shall devote all of [his/her] working time, attention and skills to the performance of [his/her] duties at the Company and shall faithfully and diligently serve the Company in accordance with this Agreement, the Memorandum and Articles of Association of the Company, as amended and restated from time to time, and the guidelines, policies and procedures of the Company approved from time to time by the Board.
-

- (c) The Executive shall not, without the prior written consent of the Board, become an employee of any entity other than the Company and any subsidiary or affiliate of the Company, and shall not be concerned or interested in any business or entity that engages in the same business in which the Company engages (any such business or entity, a “Competitor”), provided that nothing in this clause shall preclude the Executive from holding any shares or other securities of any Competitor that is listed on any securities exchange or recognized securities market anywhere if such shares or securities represent less than 5% of the competitors outstanding shares and securities. The Executive shall notify the Company in writing of [his/her] interest in such shares or securities in a timely manner and with such details and particulars as the Company may reasonably require.

4. NO BREACH OF CONTRACT

The Executive hereby represents to the Company that: (i) the execution and delivery of this Agreement by the Executive and the performance by the Executive of the Executive’s duties hereunder shall not constitute a breach of, or otherwise contravene, the terms of any other agreement or policy to which the Executive is a party or otherwise bound, except for agreements entered into by and between the Executive and any member of the Group pursuant to applicable law, if any; (ii) that the Executive has no information (including, without limitation, confidential information and trade secrets) relating to any other person or entity which would prevent, or be violated by, the Executive entering into this Agreement or carrying out [his/her] duties hereunder; and (iii) that the Executive is not bound by any confidentiality, trade secret or similar agreement (other than this) with any other person or entity except for other member(s) of the Group, as the case may be.

5. COMPENSATION AND BENEFITS

- (a) Base Salary. The Executive’s base salary shall be _____ per month and shall be paid in accordance with the Company’s regular payroll practices. During the probation period, the Executive shall be entitled to receive ____% of the base salary with the remaining ____% paid to the Executive on or before December 31, ____.
- (b) Bonus. The Executive shall be eligible for cash payments with the approval of the Board of Directors, paid in accordance with the Company’s regular payroll practices.
- (c) Equity Incentives. The Executive will be eligible for participating in a share incentive plan (if any) pursuant to the terms and conditions thereof as determined by the Board, and any award granted thereunder will be governed by an award agreement to be entered into separately between the Company and the Executive.
- (d) Benefits. The Executive is eligible for participation in any standard employee benefit plan of the Company that currently exists or may be adopted by the Company in the future, including, but not limited to, any retirement plan, life insurance plan, health insurance plan and travel/holiday plan.

- (e) Deductions. Recognizing that the Executive is an employee for all purposes, the Company or a subsidiary of the Company shall deduct from any compensation payable to the Executive the sums which the Company or such subsidiary is required by law to deduct, including, but not limited to, withholding taxes as stated in Section 10, social security taxes and state disability insurance and mandatory provident funds, and the Company or such subsidiary shall pay any amounts so deducted to the applicable governmental entities and agents entitled to receive such payments.

If the currency of the payment is not Renminbi, the actual amount of the payment shall be calculated at the mid-point exchange rate quoted by The People's Bank of China on the payment date.

6. TERMINATION OF THE AGREEMENT

(a) By the Company.

- (i) For Cause. The Company may terminate the Employment for cause, at any time, without notice or remuneration (unless notice or remuneration is specifically required by applicable law, in which case notice or remuneration will be provided in accordance with applicable law), if:

- (1) the Executive is convicted or pleads guilty to a felony or to an act of fraud, misappropriation or embezzlement;
- (2) the Executive has been grossly negligent or acted dishonestly to the detriment of the Company;
- (3) the Executive has engaged in actions amounting to willful misconduct or failed to perform [his/her] duties hereunder and such failure continues after the Executive is afforded a reasonable opportunity to cure such failure; or
- (4) the Executive breaches Section 7 or 9 of this Agreement.

Upon termination for cause, the Executive shall be entitled to the amount of Base Salary earned and not paid prior to termination. However, the Executive will not be entitled to receive payment of any severance benefits or other amounts by reason of the termination, and the Executive's right to all other benefits will terminate, except as required by any applicable law.

- (ii) For death and disability. The Company may also terminate the Employment, at any time, without notice or remuneration (unless notice or remuneration is specifically required by applicable law, in which case notice or remuneration will be provided in accordance with applicable law), if:

- (1) the Executive has died, or
- (2) the Executive has a disability which shall mean a physical or mental impairment which, as reasonably determined by the Board, renders the Executive unable to perform the essential functions of [his/her] employment with the Company, with or without reasonable accommodation, for more than 120 days in any 12-month period, unless a longer period is required by applicable law, in which case that longer period would apply.

Upon termination for death or disability, the Executive shall be entitled to the amount of base salary earned and not paid prior to termination. However, the Executive will not be entitled to receive payment of any severance benefits or other amounts by reason of the termination, and the Executive's right to all other benefits will terminate, except as required by any applicable law.

(iii) Without Cause. The Company may terminate the Employment without cause, at any time, upon not less than thirty (30) days' written notice. Upon termination without cause, the Executive shall be entitled to the amount of base salary and other amounts earned and not paid prior to termination, and severance benefits or other amounts by reason of the termination.

(iv) Change of Control Transaction. If the Company or its successor terminates the Employment upon a merger, consolidation, or transfer or sale of all or substantially all of the assets of the Company with or to any other individual(s) or entity (the "Change of Control Transaction"), the Executive shall be entitled to the following severance payments and benefits upon such termination: (1) a lump sum cash payment equal to 12 months of the Executive's base salary at a rate equal to the greater of [his/her] annual salary in effect immediately prior to the termination, or [his/her] then current annual salary as of the date of such termination; (2) a lump sum cash payment equal to a pro-rated amount of [his/her] target annual bonus for the year immediately preceding the termination; and (3) immediate vesting of 100% of the then-unvested portion of any outstanding equity awards (if any) held by the Executive.

(b) By the Executive. The Executive may terminate the Employment at any time with a prior written notice to the Company, if (1) there is a material reduction in the Executive's authority, duties and responsibilities, or (2) there is a material reduction in the Executive's annual compensation (including the base salary and the cash compensation). Upon the Executive's resignation or termination of the Employment due to either of the above reasons, the Company shall provide compensation to the Executive equivalent to the amount of base salary and other amounts earned and not paid prior to termination, and severance benefits or other amounts by reason of the termination.

In addition, the Executive may resign at any time upon not less than thirty (30) days' written notice to the Company. Upon the Executive's resignation, the Company shall provide compensation to the Executive equivalent to the amount of base salary and other amounts earned and not paid prior to termination.

(c) Notice of Termination. Any termination of the Executive's employment under this Agreement shall be communicated by written notice of termination from the terminating party to the other party.

During the period between the issue of a notice of termination and the date of termination of this Employment, the Executive shall continue to use [his/her] reasonable efforts to perform [his/her] duties and cooperate with the Company for handover.

7. CONFIDENTIALITY AND NON-DISCLOSURE

- (a) Confidentiality and Non-disclosure. The Executive hereby agrees at all times during the term of the Employment and after [his/her] termination, to hold in the strictest confidence, and not to use, except for the benefit of the Company, or to disclose to any person, corporation or other entity without prior written consent of the Company, any Confidential Information. The Executive understands that “Confidential Information” means any proprietary or confidential information of the Company, its affiliates, or their respective clients, customers or partners, including, without limitation, technical data, trade secrets, research and development information, product plans, services, customer lists and customers, supplier lists and suppliers, software developments, inventions, processes, formulas, technology, designs, hardware configuration information, personnel information, marketing, finances, information about the suppliers, joint ventures, franchisees, distributors and other persons with whom the Company does business, information regarding the skills and compensation of other employees of the Company or other business information disclosed to the Executive by or obtained by the Executive from the Company, its affiliates, or their respective clients, customers or partners, either directly or indirectly, in writing, orally or otherwise, if specifically indicated to be confidential or reasonably expected to be confidential. Notwithstanding the foregoing, Confidential Information shall not include information that is generally available and known to the public through no fault of the Executive.
- (b) Company Property. The Executive understands that all documents (including computer records, facsimile and e-mail) and materials created, received or transmitted in connection with [his/her] work or using the facilities of the Company are property of the Company and subject to inspection by the Company at any time. Upon termination of the Executive’s employment with the Company (or at any other time when requested by the Company), the Executive will promptly deliver to the Company all documents and materials of any nature pertaining to [his/her] work with the Company and will provide written certification of [his/her] compliance with this Agreement. Under no circumstances will the Executive have, following [his/her] termination, in [his/her] possession any property of the Company, or any documents or materials or copies thereof containing any Confidential Information.
- (c) Former Employer Information. The Executive agrees that [he/she] has not and will not, during the term of [his/her] employment, improperly use or disclose any proprietary information or trade secrets of any former employer or other person or entity with which the Executive has an agreement or duty to keep in confidence information acquired by Executive, if any. The Executive will indemnify the Company and hold it harmless from and against all claims, liabilities, damages and expenses, including reasonable attorneys’ fees and costs of suit, arising out of or in connection with any violation of the foregoing.

- (d) Third Party Information. The Executive recognizes that the Company may have received, and in the future may receive, from third parties their confidential or proprietary information subject to a duty on the Company's part to maintain the confidentiality of such information and to use it only for certain limited purposes. The Executive agrees that the Executive owes the Company and such third parties, during the Executive's employment by the Company and thereafter, a duty to hold all such confidential or proprietary information in the strictest confidence and not to disclose it to any person or firm and to use it in a manner consistent with, and for the limited purposes permitted by, the Company's agreement with such third party.

This Section 7 shall survive the termination of this Agreement for any reason. In the event the Executive breaches this Section 7, the Company shall have right to seek remedies permissible under applicable law.

The parties may enter into a separate confidential agreement to address confidentiality and non-disclosure affairs. Should any conflicts exist between this section 7 and the confidential agreement, the confidential agreement shall prevail.

8. CONFLICTING EMPLOYMENT

The Executive hereby agrees that, during the term of [his/her] employment with the Company, [he/she] will not engage in any other employment, occupation, consulting or other business activity related to the business in which the Company is now involved or becomes involved during the term of the Executive's employment, nor will the Executive engage in any other activities that conflict with [his/her] obligations to the Company without the prior written consent of the Company.

9. NON-COMPETITION AND NON-SOLICITATION

In consideration of the salary paid to the Executive by the Company and subject to applicable law, the Executive agrees that during the term of the Employment and for a period of two (2) years following the termination of the Employment for whatever reason:

- (a) The Executive will not solicit, canvass or approach clients, customers or contacts of the Company or other persons or entities introduced to the Executive in the Executive's capacity as a representative of the Company for the purposes of doing business with such persons or entities which will harm the business relationship between the Company and such persons and/or entities;
- (b) The Executive will not solicit, canvass or approach, or endeavor to solicit, canvass or approach any person who has business communication with the Company or its affiliates to terminate such communication, or who has negotiation with the Company or its affiliates on business cooperation to terminate such negotiation;

- (c) The Executive will not solicit, canvass or persuade or endeavor to solicit, canvass or persuade in any way, or intend to or actually disturb the Company's business in any way or endeavor to do the foresaid activities in order that (i) any current client or supplier of the Company or its affiliates becomes a client or supplier of an entity or individual competing with the Company or any of its affiliates; or (ii) any current client or supplier of the Company or its affiliates terminates the cooperation with the Company or its affiliates; and
- (d) The Executive will not seek, directly or indirectly, by the offer of alternative employment or other inducement whatsoever, to solicit the services of any employee of the Company employed as at or after the date of such termination, or in the year preceding such termination;

The provisions contained in Section 9 are considered reasonable by the Executive and the Company. In the event that any such provisions should be found to be void under applicable laws but would be valid if some part thereof was deleted or the period or area of application reduced, such provisions shall apply with such modification as may be necessary to make them valid and effective.

This Section 9 shall survive the termination of this Agreement for any reason. In the event the Executive breaches this Section 9, the Executive acknowledges that there will be no adequate remedy at law, and the Company shall be entitled to injunctive relief and/or a decree for specific performance, and such other relief as may be proper (including monetary damages if appropriate). In any event, the Company shall have right to seek all remedies permissible under applicable law.

The parties may enter into separate agreements to address non-competition and non-solicitation affairs. Should any conflicts exist between this section 9 and such agreements, such separate agreements shall prevail.

10. WITHHOLDING TAXES

Notwithstanding anything else herein to the contrary, the Company may withhold (or cause there to be withheld, as the case may be) from any amounts otherwise due or payable under or pursuant to this Agreement such national, provincial, local or any other income, employment, or other taxes as may be required to be withheld pursuant to any applicable law or regulation.

11. INDEMNIFICATION

The Company agrees to indemnify the Executive for his activities as the _____ of the Company to the fullest extent permitted by law, and to cover the Executive under any directors and officers liability insurance obtained by the Company. Further, the Company and the Executive agree to enter into an indemnification agreement substantially in the form of agreement entered into by the Company and its other executive officers.

12. ASSIGNMENT

This Agreement is personal in its nature and neither of the parties hereto shall, without the consent of the other, assign or transfer this Agreement or any rights or obligations hereunder; provided, however, that (i) the Company may assign or transfer this Agreement or any rights or obligations hereunder to any member of the Group without such consent, and (ii) in the event of a Change of Control Transaction, this Agreement shall, subject to the provisions hereof, be binding upon and inure to the benefit of such successor and such successor shall discharge and perform all the promises, covenants, duties, and obligations of the Company hereunder.

13. SEVERABILITY

If any provision of this Agreement or the application thereof is held invalid, the invalidity shall not affect other provisions or applications of this Agreement which can be given effect without the invalid provisions or applications and to this end the provisions of this Agreement are declared to be severable.

14. ENTIRE AGREEMENT

This Agreement constitutes the entire agreement and understanding between the Executive and the Company regarding the terms of the Employment and supersedes all prior or contemporaneous oral or written agreements concerning such subject matter, including any prior agreements between the Executive and a member of the Group. The Executive acknowledges that [he/she] has not entered into this Agreement in reliance upon any representation, warranty or undertaking which is not set forth in this Agreement. Any amendment to this Agreement must be in writing and signed by the Executive and the Company.

15. GOVERNING LAW; JURISDICTION

This Agreement shall be governed by and construed in accordance with the laws of the People's Republic of China ("PRC"). All actions and proceedings arising out of or relating to this Agreement shall be heard and determined in any PRC court and the parties hereto hereby consent to the jurisdiction of such courts in any such action or proceeding; provided, however, that neither party shall commence any such action or proceeding unless prior thereto the parties have in good faith attempted to resolve the claim, dispute or cause of action which is the subject of such action or proceeding through mediation by an independent third party.

16. AMENDMENT

This Agreement may not be amended, modified or changed (in whole or in part), except by a formal, definitive written agreement expressly referring to this Agreement, which agreement is executed by both of the parties hereto.

17. WAIVER

Neither the failure nor any delay on the part of a party to exercise any right, remedy, power or privilege under this Agreement shall operate as a waiver thereof, nor shall any single or partial exercise of any right, remedy, power or privilege preclude any other or further exercise of the same or of any right, remedy, power or privilege, nor shall any waiver of any right, remedy, power or privilege with respect to any occurrence be construed as a waiver of such right, remedy, power or privilege with respect to any other occurrence. No waiver shall be effective unless it is in writing and is signed by the party asserted to have granted such waiver.

18. NOTICES

All notices, requests, demands and other communications required or permitted under this Agreement shall be in writing and shall be deemed to have been duly given and made if (i) delivered by hand, (ii) otherwise delivered against receipt therefor, or (iii) sent by a recognized courier with next-day or second-day delivery to the last known address of the other party.

19. COUNTERPARTS

This Agreement may be executed in any number of counterparts, each of which shall be deemed an original as against any party whose signature appears thereon, and all of which together shall constitute one and the same instrument. This Agreement shall become binding when one or more counterparts hereof, individually or taken together, shall bear the signatures of all of the parties reflected hereon as the signatories.

Photographic copies of such signed counterparts may be used in lieu of the originals for any purpose.

20. NO INTERPRETATION AGAINST DRAFTER

Each party recognizes that this Agreement is a legally binding contract and acknowledges that it, [he/she] has had the opportunity to consult with legal counsel of choice. In any construction of the terms of this Agreement, the same shall not be construed against either party on the basis of that party being the drafter of such terms.

[Remainder of this page has been left intentionally blank]

IN WITNESS WHEREOF, this Agreement has been executed as of the date first written above.

COMPANY:
MicroCloud Hologram Inc.

By: _____
Name: Guohui Kang
Title: Chief Executive Officer

EXECUTIVE:

By: _____
Name: _____

[Signature Page to Employment Agreement]

MICROCLOUD HOLOGRAM INC.

**Room 302, Building A, Zhong Ke Na Neng Building,
Yue Xing Sixth Road, Nanshan District, Shenzhen,
People's Republic of China
+86 (0755) 2291 2036**

[], 2022

Dear [Mr./Ms.] [],

Following our recent discussions, I am pleased to confirm my invitation to you to join the board of directors (the "Board") of MicroCloud Hologram Inc. (the "Company") as an independent director with effect from [], 2022. In addition to your acceptance and acknowledgment of this appointment letter, please complete and return the attached Directors', Officers' and 5% or Greater Shareholder's Questionnaire (the "D&O Questionnaire").

In completing the D&O Questionnaire, you consent to serve as a director of the Company and you consent to the Company's use of the information in the D&O Questionnaire in the Company's filings with the United States Securities and Exchange Commission ("SEC"), the NASDAQ Stock Market LLC, state governments and other regulatory authorities.

You agree to perform your responsibilities as an independent director and/or a member of the committees of the Board in good faith and in accordance with applicable law, the organizational documents of the Company and other policies and procedures applicable to such services. The Company's Board will appoint you as an independent director effective on [], 2022 (the "Effective Date").

You will not be employed by the Company and will be free to pursue your other interests. We ask that you to please disclose these interests to us, so that the Company can identify any conflict of interest arising from our activities that may in the future intersect with yours. We expect that you will be considered to be an independent director and will be identified as such in any registration statement, annual report and/or other documentation. If circumstances change, and you believe that your independence may be in doubt, please discuss this with us. For the purpose of clarity, under the Nasdaq listing rules, an independent director is defined generally as a person other than an officer or employee of the company or its subsidiaries or any other individual having a relationship, which, in the opinion of the company's board of directors would interfere with the director's exercise of independent judgment in carrying out the responsibilities of a director.

Confidentiality

In your role as independent director, you will have access to confidential information about the Company and its clients and you agree to apply the highest standards of confidentiality and, except in the proper performance of your services, not to use or disclose to any person confidential information during your appointment or thereafter. In addition, you agree to comply with those provisions of the Company's Code of Business Conduct and Ethics and other policies applicable to independent directors and all applicable laws and regulations relating to independent directors of a public company.

On termination of your appointment, you will deliver to the Company all books, documents, papers and other property of or relating to the business of the Company which are in your possession, custody or power by virtue of your position as an independent director of the Company.

Committees

In connection with your appointment, you and the Board have agreed that you will serve as a member of the Audit Committee, Compensation Committee, and Nominating and Corporate Governance Committee and chairman of one of the aforementioned committees. Compensation associated with committee service is addressed in the Remuneration section of this appointment letter.

Remuneration

The Company's independent director compensation program is described generally below. The Board or the applicable committee reserves the right to adjust the remuneration of directors from time to time.

In consideration of your services and in accordance with the Company's compensation arrangements for independent directors, you will receive annual cash compensation of \$[] payable quarterly in advance on the first business day of each calendar quarter. Your first cash compensation payment on the Effective Date will likely comprise a pro-rata amount from the Effective Date through to the end of the relevant calendar quarter and thereafter quarterly payments in advance of each calendar quarter.

Further, in addition to cash compensation, you may be entitled to receive restricted ordinary shares and/or options to purchase to same on such terms and conditions as may be determined at a later date.

Expenses

The Company will reimburse you for reasonable and properly documented expenses incurred in performing your duties provided such expenses are pre-approved by the Company.

Non-Competition

You agree and undertake that you will not, so long as you are a member of the Board and for a period of 12 months following termination of this Agreement for whatever reason, directly or indirectly as owner, partner, stockholder, employee, broker, agent principal, corporate officer, director, licensor or in any other capacity whatsoever, engage in, become financially interested in, be employed by, or have any connection with any business or venture that is engaged in any activities involving services or products which compete, directly or indirectly, with the services or products provided or proposed to be provided by the Company or its subsidiaries or affiliates; provided however that you may own securities of any public corporation which is engaged in such business but in an amount not to exceed at any one time, one percent of any class of stock or securities of such company, so long as you have no active role in the publicly owned company as director, employee, consultant or otherwise.

We look forward to your participation on the Board of MicroCloud Hologram Inc.

Sincerely,

Guohui Kang
Chief Executive Officer, Director

I, [], accept the offer as stated above.

Signature:

/s/ []
Date: [], 2022

List of Subsidiaries

Subsidiary	Place of Incorporation
MC Hologram Inc.	Cayman Islands
Quantum Edge HK Limited	Hong Kong
Beijing Xihuiyun Technology Co., Ltd.	PRC
Shanghai Mengyun Holographic Technology Co., Ltd.	PRC
Shenzhen Mengyun Holographic Technology Co., Ltd.	PRC
Shenzhen Qianhai Youshi Technology Co., Ltd.	PRC
Shenzhen Yijia Network Technology Co., Ltd.	PRC
Kashgar Youshi Information Technology Co., Ltd.	PRC
Horgos Youshi Network Technology Co., Ltd.	PRC
Horgos Weiyi Software Technology Co., Ltd.	PRC
Shenzhen BroadVision Technology Co., Ltd.	PRC
Broadvision Intelligence (Hong Kong), Ltd.	Hong Kong
Horgos BroadVision Technology Co., Ltd.	PRC
Shenzhen Tianyuemeng Technology Co., Ltd.	PRC
Horgos Tianyuemeng Technology Co., Ltd.	PRC
Shenzhen Yunao Hongxiang Technology Co., Ltd.	PRC
Mcloudvr Software Network Technology HK Co., Limited	Hong Kong
Ocean Cloud Technology Co., Limited	Hong Kong
Shenzhen Haiyun Xinsheng Technology Co., Ltd.	PRC
Shenzhen Yushian Technology Co., Ltd.	PRC
Horgos Yushian Technology Co., Ltd.	PRC
Shenzhen Youmi Technology Co., Ltd.	PRC
Horgos Youmi Technology Co., Ltd.	PRC

**CERTIFICATION OF PRINCIPAL EXECUTIVE OFFICER PURSUANT TO
RULE 13a-14(a) OR 15d-14(a) OF THE SECURITIES EXCHANGE ACT OF 1934,
AS ADOPTED PURSUANT TO SECTION 302 OF THE SARBANES-OXLEY ACT OF 2002**

I, Guohui Kang, certify that:

1. I have reviewed this Annual Report on Form 10-K of MicroCloud Hologram Inc. (“the registrant”);
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;
4. The registrant’s other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:
 - a. designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
 - b. designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;
 - c. evaluated the effectiveness of the registrant’s disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
 - d. disclosed in this report any change in the registrant’s internal control over financial reporting that occurred during the registrant’s most recent fiscal quarter (the registrant’s fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant’s internal control over financial reporting.
5. The registrant’s other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant’s auditors and the audit committee of the registrant’s board of directors (or persons performing the equivalent functions):
 - a. all significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting, which are reasonably likely to adversely affect the registrant’s ability to record, process, summarize and report financial information; and
 - b. any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant’s internal control over financial reporting.

Date: March 14, 2023

By: /s/ Guohui Kang

Guohui Kang

Chief Executive Officer

(Principal Executive Officer)

**CERTIFICATION OF PRINCIPAL FINANCIAL OFFICER PURSUANT TO
RULE 13a-14(a) OR 15d-14(a) OF THE SECURITIES EXCHANGE ACT OF 1934,
AS ADOPTED PURSUANT TO SECTION 302 OF THE SARBANES-OXLEY ACT OF 2002**

I, Bei Zhen, certify that:

1. I have reviewed this Annual Report on Form 10-K of MicroCloud Hologram Inc. (the “registrant”);
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;
4. The registrant’s other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15a-15(f)) for the registrant and have:
 - a. designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
 - b. designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;
 - c. evaluated the effectiveness of the registrant’s disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
 - d. disclosed in this report any change in the registrant’s internal control over financial reporting that occurred during the registrant’s most recent fiscal quarter (the registrant’s fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant’s internal control over financial reporting.
5. The registrant’s other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant’s auditors and the audit committee of the registrant’s board of directors (or persons performing the equivalent functions):
 - a. all significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting, which are reasonably likely to adversely affect the registrant’s ability to record, process, summarize and report financial information; and
 - b. any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant’s internal control over financial reporting.

Date: March 14, 2023

By: /s/ Bei Zhen

Bei Zhen

Chief Financial Officer

(Principal Financial Officer)

**CERTIFICATION OF PRINCIPAL EXECUTIVE OFFICER PURSUANT TO
18 U.S.C. SECTION 1350, AS ADOPTED PURSUANT TO
SECTION 906 OF THE SARBANES-OXLEY ACT OF 2002**

I, Guohui Kang, Chief Executive Officer of MicroCloud Hologram Inc. (the “Company”), do hereby certify, pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, that to the best of my knowledge:

1. the Annual Report on Form 10-K of the Company for the fiscal year ended December 31, 2022 (the “Report”) fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934, as amended; and
2. the information contained in the Report fairly presents, in all material respects, the financial condition, and results of operations of the Company.

Date: March 14, 2023

By: /s/ Guohui Kang
Guohui Kang
Chief Executive Officer
(Principal Executive Officer)

**CERTIFICATION OF PRINCIPAL FINANCIAL OFFICER PURSUANT TO
18 U.S.C. SECTION 1350, AS ADOPTED PURSUANT TO
SECTION 906 OF THE SARBANES-OXLEY ACT OF 2002**

I, Bei Zhen, Chief Financial Officer of MicroCloud Hologram Inc. (the “Company”), do hereby certify, pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, that to the best of my knowledge:

1. the Annual Report on Form 10-K of the Company for the fiscal year ended December 31, 2022 (the “Report”) fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934, as amended; and
2. the information contained in the Report fairly presents, in all material respects, the financial condition, and results of operations of the Company.

Date: March 14, 2023

By: /s/ Bei Zhen
Bei Zhen
Chief Financial Officer
(Principal Financial Officer)
