

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

FORM 10-Q

(Mark One)

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

For the quarterly period ended **May 31, 2024**

or

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

For the transition period from \_\_\_\_\_ to \_\_\_\_\_

Commission File Number: **001-41187**

**FINGERMOTION, INC.**

(Exact name of registrant as specified in its charter)

**Delaware**

(State or other jurisdiction of organization)

**46-4600326**

(I.R.S. employer identification no.)

**111 Somerset Road, Level 3**

**Singapore**

(Address of principal executive offices)

**238164**

(Zip code)

**(347) 349-5339**

(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
Common Stock, \$0.0001 par value	FNGR	The Nasdaq Stock Market LLC

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 an emerging growth company. See definitions of "large accelerated filer," "accelerated filer," "smaller reporting company," and "emerging growth company" in Rule 12b-2 of the Exchange Act.

Large accelerated filer	<input type="checkbox"/>	Accelerated filer	<input type="checkbox"/>
Non-accelerated filer	<input checked="" type="checkbox"/>	Smaller reporting company	<input checked="" type="checkbox"/>
		Emerging growth company	<input type="checkbox"/>

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 is a shell company (as defined in Rule 12b-2 of the Act). Yes ☐ No ☒

Indicate the number of shares outstanding of each of the issuer's classes of common stock as of the latest practicable date: 52,712,850 shares of common stock outstanding as of June 27, 2024.

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**PART 1 – FINANCIAL INFORMATION**

**ITEM 1 – FINANCIAL STATEMENTS**

**FINGERMOTION, INC.**

**CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS**

**For the three months ended May 31, 2024**

**(Unaudited - Expressed in U.S. Dollars)**

**FingerMotion, Inc.**  
Condensed Consolidated Balance Sheets

	May 31, 2024	February 29, 2024
	(Unaudited)	
<b>ASSETS</b>		
<b>Current Assets</b>		
Cash and cash equivalents	\$ 1,064,124	\$ 1,517,232
Accounts receivable	16,850,105	9,153,692
Prepayment and deposit	5,475,833	5,538,401
Other receivables	2,647,225	2,515,593
	<u>26,037,287</u>	<u>18,724,918</u>
<b>Non-current Assets</b>		
Equipment	38,512	45,706
Intangible assets	25,125	30,456
Right-of-use asset	208,924	13,734
	<u>272,561</u>	<u>89,896</u>
<b>TOTAL ASSETS</b>	<u>\$ 26,309,848</u>	<u>\$ 18,814,814</u>
<b>LIABILITIES AND SHAREHOLDER'S DEFICIT</b>		
<b>Current Liabilities</b>		
Accounts payable	\$ 11,999,742	\$ 5,153,359
Accrual and other payables	2,417,041	1,595,760
Stock subscription payables	775,000	—
Lease liability, current portion	113,381	4,796
	<u>15,305,164</u>	<u>6,753,915</u>
<b>Non-current Liabilities</b>		
Lease liability, non-current portion	98,678	—
	<u>98,678</u>	<u>—</u>
<b>TOTAL LIABILITIES</b>	<u>\$ 15,403,842</u>	<u>\$ 6,753,915</u>
<b>SHAREHOLDERS' EQUITY</b>		
Preferred stock, par value \$.0001 per share; Authorized 1,000,000 shares; issued and outstanding -0- shares.	—	—
Common Stock, par value \$.0001 per share; Authorized 200,000,000 shares; issued and outstanding 52,712,850 shares and 52,545,350 issued and outstanding at May 31, 2024 and February 29, 2024 respectively	5,271	5,254
Additional paid-in capital	40,662,355	40,292,778
Additional paid-in capital - stock options	1,233,620	1,037,276
Accumulated deficit	(30,104,737)	(28,448,833)
Accumulated other comprehensive income	(847,361)	(782,362)
Stockholders' equity before non-controlling interests	<u>10,949,148</u>	<u>12,104,113</u>
Non-controlling interests	(43,142)	(43,214)
<b>TOTAL SHAREHOLDERS' EQUITY</b>	<u>10,906,006</u>	<u>12,060,899</u>
<b>TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY</b>	<u>\$ 26,309,848</u>	<u>\$ 18,814,814</u>

**FingerMotion, Inc.**

## Unaudited Condensed Consolidated Statements of Operations

	Three Months Ended	
	May 31, 2024	May 31, 2023
Revenue	\$ 8,373,983	\$ 12,169,091
Cost of revenue	(7,692,094)	(11,506,542)
Gross profit	681,889	662,549
Amortization & depreciation	(12,014)	(18,342)
General & administrative expenses	(1,881,777)	(1,361,990)
Marketing Cost	(62,524)	6,841
Research & Development	(178,993)	(172,099)
Stock compensation expenses	(222,670)	(296,461)
Total operating expenses	(2,357,978)	(1,842,051)
Net loss from operations	(1,676,089)	(1,179,502)
Other income (expense):		
Interest income	20,013	22,865
Interest expense	—	(121,451)
Exchange gain (loss)	243	2
Other income	1	13,824
Total other income (expense)	20,257	(84,760)
Net loss before income tax	\$ (1,655,832)	\$ (1,264,262)
Income tax expenses	—	—
Net Loss	\$ (1,655,832)	\$ (1,264,262)
Less: Net profit attributable to the non-controlling interest	72	1,209
Net loss attributable to the Company's shareholders	\$ (1,655,904)	\$ (1,265,471)
Other comprehensive income:		
Foreign currency translation adjustments	(64,999)	413,808
Comprehensive loss	\$ (1,720,903)	\$ (851,663)
Less: comprehensive income (loss) attributable to non-controlling interest	(1,066)	(48)
Comprehensive loss attributable to the Company	\$ (1,719,837)	\$ (851,615)
NET LOSS PER SHARE		
Loss Per Share - Basic	\$ (0.03)	\$ (0.02)
Loss Per Share - Diluted	\$ (0.03)	\$ (0.02)
NET LOSS PER SHARE ATTRIBUTABLE TO THE COMPANY		
Loss Per Share - Basic	\$ (0.03)	\$ (0.02)
Loss Per Share - Diluted	\$ (0.03)	\$ (0.02)
Weighted Average Common Shares Outstanding - Basic	52,660,051	51,479,890
Weighted Average Common Shares Outstanding - Diluted	52,660,051	51,479,890

**FingerMotion, Inc.**
**Unaudited Condensed Consolidated Statement of Shareholders' Equity**

	Common Stock		Capital Paid in Excess of Par Value	Additional Paid-in capital stock options	Accumulated  Deficit	Accumulated		Stockholders’ equity	Non- controlling interest	Total
	Shares	Amount				Other Comprehensive Income				
Balance at March 1, 2024	52,545,350	5,254	40,292,778	1,037,276	(28,448,833)	(782,362)	12,104,113	(43,214)	12,060,899	
Common stock issued for professional service	167,500	17	369,577	—	—	—	369,594	—	369,594	
Additional paid-in capital – stock options	—	—	—	196,344	—	—	196,344	—	196,344	
Accumulated other comprehensive income	—	—	—	—	—	(64,999)	(64,999)	—	(64,999)	
Net (Loss)	—	—	—	—	(1,655,904)	—	(1,655,904)	72	(1,655,832)	
Balance at May 31, 2024	52,712,850	5,271	40,662,355	1,233,620	(30,104,737)	(847,361)	10,949,148	(43,142)	10,906,006	

			Capital Paid in Excess of Par Value	Additional Paid-in capital stock options	Accumulated  Deficit	Accumulated		Stockholders' equity	Non- controlling interest	Total
	Common Stock					Other Comprehensive Income				
	Shares	Amount								
<b>Balance at March 1, 2023</b>	49,432,214	4,943	37,406,415	632,664	(24,691,314)	(391,692)	12,961,016	11,284	12,972,300	
Common stock issued for cash	20,000	2	59,998	—	—	—	60,000	—	60,000	
Common stock issued for professional service	70,000	7	124,243	—	—	—	124,250	—	124,250	
Execution of convertible notes	2,465,816	247	1,682,466	—	—	—	1,682,713	—	1,682,713	
Accumulated other comprehensive income	—	—	—	—	—	413,808	413,808	—	413,808	
Net (Loss)	—	—	—	—	(1,265,471)	—	(1,265,471)	1,209	(1,264,262)	
<b>Balance at May 31, 2023</b>	51,988,030	5,199	39,273,122	632,664	(25,956,785)	22,116	13,976,316	12,493	13,988,809	

**FingerMotion, Inc.**

## Unaudited Condensed Consolidated Statements of Cash Flows

	Three Months Ended	
	May 31, 2024	May 31, 2023
<b>Net (loss)</b>	<b>\$ (1,655,832)</b>	<b>\$ (1,264,262)</b>
<b>Adjustments to reconcile net loss to net cash provided by (used in) operating activities:</b>		
Share based compensation expenses	392,527	365,545
Amortization and depreciation	12,014	18,342
Change in operating assets and liabilities:		
(Increase) decrease in accounts receivable	(7,762,176)	(322,774)
(Increase) decrease in prepayment and deposit	24,000	899,836
(Increase) decrease in others receivable	(150,316)	(1,659,906)
Increase (decrease) in accounts payable	6,884,661	32,328
Increase (decrease) in accrual and other payables	833,177	(645,872)
Increase (decrease) in due to lease liability	12,006	(1,188)
<b>Net Cash provided by (used in) operating activities</b>	<b>(1,409,939)</b>	<b>(2,577,951)</b>
<b>Cash flows from investing activities</b>		
Purchase of equipment	—	(380)
<b>Net cash provided by (used in) investing activities</b>	<b>—</b>	<b>(380)</b>
<b>Cash flows from financing activities</b>		
Advance from stock subscription payable	775,000	—
Repayment of convertible note	—	(1,135,333)
Common stock issued for cash	—	60,000
<b>Net cash provided by (used in) financing activities</b>	<b>775,000</b>	<b>(1,075,333)</b>
Effect of exchange rates on cash and cash equivalents	181,831	(161,665)
<b>Net change in cash</b>	<b>(453,108)</b>	<b>(3,815,329)</b>
Cash at beginning of period	1,517,232	9,240,241
<b>Cash at end of period</b>	<b>\$ 1,064,124</b>	<b>\$ 5,424,912</b>
Major non-cash transactions:		
Conversion of loan payables to shares	\$ —	\$ 1,682,713
Supplemental disclosures of cash flow information:		
Interest paid	\$ —	\$ —
Taxes paid	\$ —	\$ —



**FINGERMOTION, INC.**  
Three months ended May 31, 2024 and 2023  
Notes to the Condensed Consolidated Financial Statements

**Note 1 – Nature of Business and basis of Presentation**

FingerMotion, Inc. fka Property Management Corporation of America (the “Company”) was incorporated on January 23, 2014, under the laws of the State of Delaware. The Company then offered management and consulting services to residential and commercial real estate property owners who rent or lease their property to third-party tenants.

The Company changed its name to FingerMotion, Inc. on July 13, 2017, after a change in control. In July 2017 the Company acquired all of the outstanding shares of Finger Motion Company Limited (“FMCL”), a Hong Kong corporation that is an information technology company which specialize in operating and publishing mobile games.

Pursuant to the Share Exchange Agreement with FMCL, effective July 13, 2017 (the “Share Exchange Agreement”, the Company agreed to exchange the outstanding equity stock of FMCL held by the FMCL Shareholders for shares of common stock of the Company. At the Closing Date, the Company issued 12,000,000 shares of common stock to the FMCL shareholders. In addition, the Company issued 600,000 shares to other consultants in connection with the transactions contemplated by the Share Exchange Agreement.

The transaction was accounted for as a “reverse acquisition” since, immediately following completion of the transaction, the shareholders of FMCL effectuated control of the post-combination Company. For accounting purposes, FMCL was deemed to be the accounting acquirer in the transaction and, consequently, the transaction is treated as a recapitalization of FMCL (i.e., a capital transaction involving the issuance of shares by the Company for the shares of FMCL). Accordingly, the consolidated assets, liabilities, and results of operations of FMCL became the historical financial statements of FingerMotion, Inc. and its subsidiaries, and the Company’s assets, liabilities and results of operations were consolidated with FMCL beginning on the acquisition date. No step-up in basis or intangible assets or goodwill were recorded in this transaction.

As a result of the Share Exchange Agreement and the other transactions contemplated thereunder, FMCL became a wholly owned subsidiary of the Company. FMCL, a Hong Kong corporation, was formed in April 6, 2016.

On October 16, 2018, the Company through its indirect wholly-owned subsidiary, Shanghai JiuGe Business Management Co., Ltd. (“JiuGe Management”), entered into a series of agreements known as variable interest agreements (the “VIE Agreements”) pursuant to which Shanghai JiuGe Information Technology Co., Ltd. (“JiuGe Technology”) became JiuGe Management’s contractually controlled affiliate. The use of VIE agreements is a common structure used to acquire PRC corporations, particularly in certain industries in which foreign investment is restricted or forbidden by the PRC government. The VIE Agreements include a Consulting Services Agreement, a Loan Agreement, a Power of Attorney Agreement, a Call Option Agreement, and a Share Pledge Agreement in order to secure the connection and commitments of JiuGe Technology.

On March 7, 2019, JiuGe Technology also acquired 99% of the equity interest of Beijing XunLian (“BX”), a subsidiary that provides bulk distribution of SMS messages for JiuGe customers at discounted rates.

Finger Motion Financial Company Limited was incorporated on January 24, 2020, and is 100% owned by FingerMotion, Inc. The company has been activated for the insurtech business during the last quarter of the fiscal year where the Big Data division secured its first contract and recorded revenue.

Shanghai TengLian JiuJiu Information Communication Technology Co., Ltd. was incorporated on December 23, 2020, for the purpose of venturing into mobile phone sales in China. It is 99% owned by JiuGe Technology.

On February 5, 2021, JiuGe Technology disposed of its 99% owned subsidiary, Suzhou BuGuNiao Digital Technology Co., Ltd which was established to venture into R&D projects.

**FINGERMOTION, INC.**  
Three months ended May 31, 2024 and 2023  
Notes to the Condensed Consolidated Financial Statements

**Note 1 – Nature of Business and basis of Presentation (continued)**

Shanghai KeShunXiang Automobile Service Co., Ltd. was incorporated on April 10, 2024 for the purpose of venturing into the communication and streaming services in China. It is 99% owned by JiuGe Technology.

**Note 2 - Summary of Principal Accounting Policies**

**Principles of Consolidation and Presentation**

The consolidated financial statements have been prepared in accordance with U.S. generally accepted accounting principles (“U.S. GAAP”). The consolidated financial statements include the financial statements of the Company, and its wholly-owned subsidiaries. All intercompany accounts, transactions, and profits have been eliminated upon consolidation.

**Variable interest entity**

Pursuant to Financial Accounting Standards Board (“FASB”) Accounting Standards Codification (“ASC”) Section 810, “Consolidation” (“ASC 810”), the Company is required to include in its consolidated financial statements, the financial statements of its variable interest entities (“VIEs”). ASC 810 requires a VIE to be consolidated if that company is subject to a majority of the risk of loss for the VIE or is entitled to receive a majority of the VIE’s residual returns. VIEs are those entities in which a company, through contractual arrangements, bears the risk of, and enjoys the rewards normally associated with ownership of the entity, and therefore the company is the primary beneficiary of the entity.

Under ASC 810, a reporting entity has a controlling financial interest in a VIE, and must consolidate that VIE, if the reporting entity has both of the following characteristics: (a) the power to direct the activities of the VIE that most significantly affect the VIE’s economic performance; and (b) the obligation to absorb losses, or the right to receive benefits, that could potentially be significant to the VIE. The reporting entity’s determination of whether it has this power is not affected by the existence of kick-out rights or participating rights, unless a single enterprise, including its related parties and de - facto agents, have the unilateral ability to exercise those rights. JiuGe Technology’s actual stockholders do not hold any kick-out rights that affect the consolidation determination.

Through the VIE agreements disclosed in Note 1, the Company is deemed the primary beneficiary of JiuGe Technology. Accordingly, the results of JiuGe Technology have been included in the accompanying consolidated financial statements. JiuGe Technology has no assets that are collateral for or restricted solely to settle their obligations. The creditors of JiuGe Technology do not have recourse to the Company’s general credit.

**FINGERMOTION, INC.**  
Three months ended May 31, 2024 and 2023  
Notes to the Condensed Consolidated Financial Statements

**Note 2 - Summary of Principal Accounting Policies (continued)**

The following assets and liabilities of the VIE and VIE's subsidiaries are included in the accompanying condensed consolidated financial statements of the Company as of May 31, 2024 and February 29, 2024:

**Assets and liabilities of the VIE**

	<b>May 31, 2024</b>	<b>February 29,</b>
	<b>(unaudited)</b>	<b>2024</b>
Current assets	\$ 11,370,972	\$ 10,578,657
Non-current assets	241,953	53,109
<b>Total assets</b>	<b>\$ 11,612,925</b>	<b>\$ 10,631,766</b>
Current liabilities	\$ 11,004,071	\$ 9,654,896
Non-current liabilities	98,678	—
<b>Total liabilities</b>	<b>\$ 11,102,749</b>	<b>\$ 9,654,896</b>

**Assets and liabilities of the VIE's Subsidiaries**

	<b>May 31, 2024</b>	<b>February 29,</b>
	<b>(unaudited)</b>	<b>2024</b>
Current assets	\$ 11,746,830	\$ 4,826,781
Non-current assets	5,805	6,088
<b>Total assets</b>	<b>\$ 11,752,635</b>	<b>\$ 4,832,869</b>
Current liabilities	\$ 16,062,022	\$ 9,181,719
Non-current liabilities	—	—
<b>Total liabilities</b>	<b>\$ 16,062,022</b>	<b>\$ 9,181,719</b>

**FINGERMOTION, INC.**  
Three months ended May 31, 2024 and 2023  
Notes to the Condensed Consolidated Financial Statements

**Note 2 - Summary of Principal Accounting Policies (continued)**

**Operating Result of VIE**

	<b>For the Three Months Ended May 31, 2024</b>	<b>For the Three Months Ended May 31, 2023</b>
	(unaudited)	(unaudited)
Revenue	\$ 209,726	\$ 5,715,714
Cost of revenue	(64,059)	(5,346,244)
Gross profit	<u>\$ 145,667</u>	<u>\$ 369,470</u>
Amortization and depreciation	(6,068)	(6,497)
General and administrative expenses	(513,885)	(564,086)
Marketing cost	(8,528)	6,793
Research & development	(97,708)	(91,349)
Total operating expenses	<u>\$ (626,189)</u>	<u>\$ (655,139)</u>
Loss from operations	<u>\$ (480,522)</u>	<u>\$ (285,669)</u>
Interest income	19,988	22,624
Other income	—	13,802
Total other income	<u>\$ 19,988</u>	<u>\$ 36,426</u>
Tax expense	<u>—</u>	<u>—</u>
Net profit (loss)	<u><u>\$ (460,534)</u></u>	<u><u>\$ (249,243)</u></u>

**Operating Result of VIE's Subsidiaries**

	<b>For the Three Months Ended May 31, 2024</b>	<b>For the Three Months Ended May 31, 2023</b>
	(unaudited)	(unaudited)
Revenue	\$ 8,164,257	\$ 6,375,251
Cost of revenue	(7,628,034)	(6,160,298)
Gross profit	<u>\$ 536,223</u>	<u>\$ 214,953</u>
Amortization and depreciation	(239)	(249)
General and administrative expenses	(453,187)	(73,050)
Marketing cost	(53,996)	49
Research & development	(21,631)	(20,916)
Total operating expenses	<u>\$ (529,053)</u>	<u>\$ (94,166)</u>
Loss from operations	<u>\$ 7,170</u>	<u>\$ 120,787</u>
Interest income	5	117
Other income	1	22
Total other income	<u>\$ 6</u>	<u>\$ 139</u>
Tax expense	<u>—</u>	<u>—</u>
Net profit (loss)	<u><u>\$ 7,176</u></u>	<u><u>\$ 120,926</u></u>

**Note 2 - Summary of Principal Accounting Policies (continued)**

**Use of Estimates**

The preparation of the Company's financial statements in conformity with generally accepted accounting principles of the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Management makes its best estimate of the ultimate outcome for these items based on historical trends and other information available when the financial statements are prepared. Actual results could differ from those estimates.

**Certain Risks and Uncertainties**

The Company relies on cloud-based hosting through a global accredited hosting provider. Management believes that alternate sources are available; however, disruption or termination of this relationship could adversely affect our operating results in the near-term.

**Identifiable Intangible Assets**

Identifiable intangible assets are recorded at cost and are amortized over 3-10 years. Similar to tangible property and equipment, the Company periodically evaluates identifiable intangible assets for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable.

**Impairment of Long-Lived Assets**

The Company classifies its long-lived assets into: (i) computer and office equipment; (ii) furniture and fixtures, (iii) leasehold improvements, and (iv) finite – lived intangible assets.

Long-lived assets held and used by the Company are reviewed for impairment whenever events or changes in circumstances indicate that the carrying value of such assets may not be fully recoverable. It is possible that these assets could become impaired as a result of technology, economy or other industry changes. If circumstances require a long-lived asset or asset group to be tested for possible impairment, the Company first compares undiscounted cash flows expected to be generated by that asset or asset group to its carrying value. If the carrying value of the long-lived asset or asset group is not recoverable on an undiscounted cash flow basis, an impairment is recognized to the extent that the carrying value exceeds its fair value. Fair value is determined through various valuation techniques, including discounted cash flow models, relief from royalty income approach, quoted market values and third-party independent appraisals, as considered necessary.

The Company makes various assumptions and estimates regarding estimated future cash flows and other factors in determining the fair values of the respective assets. The assumptions and estimates used to determine future values and remaining useful lives of long-lived assets are complex and subjective. They can be affected by various factors, including external factors such as industry and economic trends, and internal factors such as the Company's business strategy and its forecasts for specific market expansion.

**Accounts Receivable and Concentration of Risk**

Accounts receivable, net is stated at the amount the Company expects to collect, or the net realizable value. The Company provides a provision for allowances that includes returns, allowances and doubtful accounts equal to the estimated uncollectible amounts. The Company estimates its provision for allowances based on historical collection experience and a review of the current status of trade accounts receivable. It is reasonably possible that the Company's estimate of the provision for allowances will change.

**FINGERMOTION, INC.**  
Three months ended May 31, 2024 and 2023  
Notes to the Condensed Consolidated Financial Statements

**Note 2 - Summary of Principal Accounting Policies (continued)**

**Lease**

Operating and finance lease right-of-use assets and lease liabilities are recognized at the commencement date based on the present value of the future lease payments over the lease term. When the rate implicit to the lease cannot be readily determined, the Company utilizes its incremental borrowing rate in determining the present value of the future lease payments. The incremental borrowing rate is derived from information available at the lease commencement date and represents the rate of interest that the Company would have to pay to borrow on a collateralized basis over a similar term and amount equal to the lease payments in a similar economic environment. The right-of-use asset includes any lease payments made and lease incentives received prior to the commencement date. Operating lease right-of-use assets also include any cumulative prepaid or accrued rent when the lease payments are uneven throughout the lease term. The right-of-use assets and lease liabilities may include options to extend or terminate the lease when it is reasonably certain that the Company will exercise that option.

**Cash and Cash Equivalents**

Cash and cash equivalents represent cash on hand, demand deposits, and other short-term highly liquid investments placed with banks, which have original maturities of three months or less and are readily convertible to known amounts of cash.

**Property and Equipment**

Property and equipment are stated at cost. Depreciation of property and equipment is provided using the straight-line method for financial reporting purposes at rates based on the estimated useful lives of the assets. Estimated useful lives range from three to seven years. Land is classified as held for sale when management has the ability and intent to sell, in accordance with ASC Topic 360-45.

**Earnings Per Share**

Basic (loss) earnings per share is based on the weighted average number of common shares outstanding during the period while the effects of potential common shares outstanding during the period are included in diluted earnings per share.

FASB Accounting Standard Codification Topic 260 ("ASC 260"), "Earnings Per Share," requires that employee equity share options, non-vested shares and similar equity instruments granted to employees be treated as potential common shares in computing diluted earnings per share. Diluted earnings per share should be based on the actual number of options or shares granted and not yet forfeited, unless doing so would be anti-dilutive. The Company uses the "treasury stock" method for equity instruments granted in share-based payment transactions provided in ASC 260 to determine diluted earnings per share. Antidilutive securities represent potentially dilutive securities which are excluded from the computation of diluted earnings or loss per share as their impact was antidilutive.

**Note 2 - Summary of Principal Accounting Policies (continued)**

**Revenue Recognition**

The Company adopted ASC 606, Revenue from Contracts with Customers (“ASC 606”) beginning on January 1, 2018 using the modified retrospective approach. ASC 606 establishes principles for reporting information about the nature, amount, timing and uncertainty of revenue and cash flows arising from the entity’s contracts to provide goods or services to customers. The core principle requires an entity to recognize revenue to depict the transfer of goods or services to customers in an amount that reflects the consideration that it expects to be entitled to receive in exchange for those goods or services recognized as performance obligations are satisfied.

The Company has assessed the impact of the guidance by reviewing its existing customer contracts and current accounting policies and practices to identify differences that will result from applying the new requirements, including the evaluation of its performance obligations, transaction price, customer payments, transfer of control and principal versus agent considerations. Based on the assessment, the Company concluded that there was no change to the timing and pattern of revenue recognition for its current revenue streams in scope of ASC 606 and therefore there was no material changes to the Company’s consolidated financial statements upon adoption of ASC 606.

The Company recognizes revenue from providing hosting and integration services and licensing the use of its technology platform to its customers. The Company recognizes revenue when all of the following conditions are satisfied: (1) there is persuasive evidence of an arrangement; (2) the service has been provided to the customer (for licensing, revenue is recognized when the Company’s technology is used to provide hosting and integration services); (3) the amount of fees to be paid by the customer is fixed or determinable; and (4) the collection of fees is probable. We account for our multi-element arrangements, such as instances where we design a custom website and separately offer other services such as hosting, which are recognized over the period for when services are performed.

**Income Taxes**

The Company uses the asset and liability method of accounting for income taxes in accordance with Accounting Standards Codification (“ASC”) 740, “Income Taxes” (“ASC 740”). Under this method, income tax expense is recognized as the amount of: (i) taxes payable or refundable for the current year and (ii) future tax consequences attributable to differences between financial statement carrying amounts of existing assets and liabilities and their respective tax bases. Deferred tax assets and liabilities are measured using enacted tax rates expected to apply to taxable income in the years which those temporary differences are expected to be recovered or settled. The effect on deferred tax assets and liabilities of a change in tax rates is recognized in the results of operations in the period that includes the enactment date. A valuation allowance is provided to reduce the deferred tax assets reported if based on the weight of available evidence it is more likely than not that some portion or all of the deferred tax assets will not be realized.

**Non-controlling interest**

Non-controlling interests held 1% of the shares of two of our subsidiaries are recorded as a component of our equity, separate from the Company’s equity. Purchase or sales of equity interests that do not result in a change of control are accounted for as equity transactions. Results of operations attributable to the non-controlling interest are included in our consolidated results of operations and, upon loss of control, the interest sold, as well as interest retained, if any, will be reported at fair value with any gain or loss recognized in earnings.

**Recently Issued Accounting Pronouncements**

The Company does not believe recently issued but not yet effective accounting standards, if currently adopted, would have a material effect on the consolidated financial position, statements of operations and cash flows.

**FINGERMOTION, INC.**  
Three months ended May 31, 2024 and 2023  
Notes to the Condensed Consolidated Financial Statements

**Note 3 - Going Concern**

The accompanying condensed consolidated financial statements have been prepared assuming the Company will continue as a going concern, which contemplates, among other things, the realization of assets and satisfaction of liabilities in the normal course of business. The Company had an accumulated deficit of \$30,104,737 and \$28,448,833 as at May 31, 2024 and February 29, 2024 respectively, and had a net loss of \$1,655,832 and \$1,264,262 for the three months ended May 31, 2024 and 2023, respectively.

The Company's continuation as a going concern is dependent on its ability to obtain additional financing to fund operations, implement its business model, and ultimately, attain profitable operations. The Company will need to secure additional funds through various means, including equity and debt financing or any similar financing. There can be no assurance that the Company will be able to obtain additional equity or debt financing, if and when needed, on terms acceptable to the Company, or at all. Any additional equity or debt financing may involve substantial dilution to the Company's stockholders, restrictive covenants or high interest costs. The Company's long-term liquidity also depends upon its ability to generate revenues and achieve profitability.

**Note 4 - Revenue**

We recorded \$8,373,983 and \$12,169,091 in revenue, respectively, for the three months ended May 31, 2024 and 2023.

	<b>For the three months ended</b>	
	<b>May 31, 2024</b>	<b>May 31, 2023</b>
	(unaudited)	(unaudited)
Telecommunication Products & Services	\$ 210,189	\$ 12,011,264
SMS & MMS Business	8,163,794	8,121
Big Data	—	149,706
	<u>\$ 8,373,983</u>	<u>\$ 12,169,091</u>

**Note 5 – Equipment**

At May 31, 2024 and February 29, 2024, the company has the following amounts related to tangible assets:

	<b>May 31, 2024</b>	<b>February 29,</b>
	(unaudited)	<b>2024</b>
Equipment	\$ 117,262	\$ 117,961
Less: accumulated depreciation	(78,750)	(72,255)
Net equipment	<u>\$ 38,512</u>	<u>\$ 45,706</u>

No significant residual value is estimated for the equipment. Depreciation expenses for the three months ended May 31, 2024 and 2023 totaled \$6,898 and \$7,943, respectively.



**FINGERMOTION, INC.**  
Three months ended May 31, 2024 and 2023  
Notes to the Condensed Consolidated Financial Statements

**Note 6 – Intangible Assets**

At May 31, 2024 and February 29, 2024, the company has the following amounts related to intangible assets:

	<b>May 31, 2024</b> (unaudited)	<b>February 29, 2024</b>
Licenses	\$ 200,000	\$ 200,000
Mobile applications	203,163	204,684
	<u>403,163</u>	<u>404,684</u>
Less: accumulated amortization	(298,017)	(298,017)
Impairment of intangible assets	(80,021)	(76,211)
Net intangible assets	<u>\$ 25,125</u>	<u>\$ 30,456</u>

No significant residual value is estimated for these intangible assets. Amortization expenses for the three months ended May 31, 2024 and 2023 totaled \$5,116 and \$10,399, respectively.

**Note 7 – Prepayment and Deposit**

Prepaid expenses consist of the deposit pledge to the vendor for stock credits for resale. Our current vendors are China Unicom and China Mobile for our Telecommunication Products & Services business and our SMS & MMS business. Deposits also include payments placed into the e-commerce platforms where we offer our products and services. The platforms are PinDuoDuo, Tmall and JD.com.

	<b>May 31, 2024</b> (unaudited)	<b>February 29, 2024</b>
<u>Telecommunication Products &amp; Services</u>		
Deposit Paid / Prepayment	\$ 4,490,793	\$ 5,062,728
Others prepayment	290,775	345,868
	<u>\$ 4,781,568</u>	<u>\$ 5,408,596</u>
	<b>May 31, 2024</b> (unaudited)	<b>February 29, 2024</b>
<u>SMS &amp; MMS Business</u>		
Deposit Paid / Prepayment	\$ 694,265	\$ 129,805
	<u>\$ 694,265</u>	<u>\$ 129,805</u>

**Note 8 – Other Receivables**

At May 31, 2024 and February 29, 2024, the company has the following amounts related to other receivables:

	<b>May 31, 2024</b> (unaudited)	<b>February 29, 2024</b>
<u>Other receivables represent:</u>		
Advances to suppliers	\$ 1,495,354	\$ 1,491,348
Security deposit	899,862	1,015,489
Others	252,008	8,756
	<u>\$ 2,647,225</u>	<u>\$ 2,515,593</u>

**FINGERMOTION, INC.**  
Three months ended May 31, 2024 and 2023  
Notes to the Condensed Consolidated Financial Statements

**Note 9 – Right-of-use Asset and Lease Liability**

The Company has entered into lease agreements with various third parties. The terms of operating leases are one to two years. These operating leases are included in "Right-of-use Asset" on the Company's Condensed Consolidated Balance Sheet and represent the Company's right to use the underlying asset for the lease term. The Company's obligation to make lease payments are included in "Lease liability" on the Company's Condensed Consolidated Balance Sheet. Additionally, the Company has entered into various short-term operating leases with an initial term of twelve months or less. These leases are not recorded on the Company's Condensed Consolidated Balance Sheet. All operating lease expense is recognized on a straight-line basis over the lease term in the three months ended May 31, 2024.

Information related to the Company's right-of-use assets and related lease liabilities were as follows:

	<u>May 31, 2024</u>	<u>February 29,</u>
	(unaudited)	2024
<b>Right-of-use asset</b>		
Right-of-use asset, net	\$ 208,924	\$ 13,734
<b>Lease liability</b>		
Current lease liability	\$ 113,381	\$ 4,796
Non-current lease liability	98,678	—
Total lease liability	<u>\$ 212,059</u>	<u>\$ 4,796</u>
<b>Remaining lease term and discount rate</b>		<b><u>May 31, 2024</u></b>
Weighted-average remaining lease term		23 months
Weighted-average discount rate		<u>4.75%</u>

**Commitments**

The following table summarizes the future minimum lease payments due under the Company's operating leases as of May 31, 2024:

2024	\$ 121,007
Thereafter	100,839
Less: imputed interest	(9,787)
	<u>\$ 212,059</u>

**FINGERMOTION, INC.**  
Three months ended May 31, 2024 and 2023  
Notes to the Condensed Consolidated Financial Statements

**Note 10 - Convertible Note Payable**

A Note Payable having a Face Value of \$730,000 at May 1, 2022 and accruing interest at 20% is due on April 30, 2023. The note is convertible anytime from the date of issuance into \$0.0001 par value Common Stock at \$4.00 per share.

On April 28, 2023, the Company paid the Note Payable of \$730,000.

**Note 11 - Common Stock**

On March 17, 2023, we issued 2,465,816 shares of common stock at price of \$0.863 per share to our primary lender pursuant to the conversion of \$2,128,000 of principal amount of the Note issued to our primary lender on August 9, 2022.

On April 18, 2023, we issued 20,000 shares of common stock at a price of \$3.00 per share pursuant to the exercise of warrants.

On April 24, 2023, we issued 70,000 shares of our common stock at a deemed price of \$1.64 per share to one entity pursuant to a consulting agreement.

On July 17, 2023, the Company issued 121,422 shares of our common stock at a deemed price of \$1.75 per share to The Benchmark Company, LLC ("Benchmark") pursuant to the cashless exercise of warrants.

On August 3, 2023, the Company issued 260,000 shares of our common stock at a price of \$3.00 per share to three individuals pursuant to the exercise of warrants.

On August 3, 2023, the Company issued 12,500 shares of our common stock at a deemed price of \$2.47 per share to one entity pursuant to a consulting agreement.

On September 5, 2023, the Company issued 2,500 shares of our common stock at a deemed price of \$2.47 per share to one entity pursuant to a consulting agreement and issued 70,000 shares of our common stock at a deemed price of \$1.64 per share to one entity pursuant to a consulting agreement.

On September 14, 2023, two officers of the Company exercised an aggregate of 180,400 stock options on a deemed net-stock exercise basis resulting in the issuance of an aggregate of 90,898 shares of our common stock and the forfeiture of 89,502 stock options to the Company.

On March 29, 2024, the Company issued 17,500 shares of our common stock at a deemed price of \$2.80 per share to one entity pursuant to consulting agreements, dated February 27, 2023 and February 24, 2024.

On March 29, 2024, the Company issued 150,000 shares of our common stock under its 2023 Stock Incentive Plan at a deemed price of \$2.15 per share to two individuals pursuant to consulting agreements.

As of May 28, 2024, the Company has received \$775,000 in subscription proceeds to purchase 310,000 shares of its common stock at \$2.50 per share on a private placement basis.

As of May 31, 2024 there were 52,712,850 shares of the Company's common stock issued and outstanding, and none of the preferred shares were issued and outstanding.

**FINGERMOTION, INC.**  
Three months ended May 31, 2024 and 2023  
Notes to the Condensed Consolidated Financial Statements

**Share Purchase Warrants**

A continuity schedule of outstanding share purchase warrants as at May 31, 2024, and the changes during the periods, is as follows:

	Number of Warrants	Weighted Average Exercise Price
Balance, February 28, 2023	2,287,480	\$ 3.32
Exercised	(20,000)	\$ 3.00
Expired	(188,500)	\$ 2.00
Exercised	(260,000)	\$ 3.00
Expired	(1,137,668)	\$ 3.00
Cashless Exercised	(168,000)	\$ 1.75
Balance, May 31, 2024	<u>513,312</u>	<u>\$ 5.21</u>

On April 18, 2023, the Company received \$ 60,000 from the exercise of warrants for the purchase of 20,000 shares of common stock of the Company at a price of \$3.00 per share from 1 individual.

On April 19, 2023, 188,500 stock purchase warrants having an exercise price of \$2.00 per share expired.

On July 13, 2023, the Company received \$780,000 from the exercise of warrants for the purchase of 260,000 shares of common stock of the Company at a price of \$3.00 per share from three individuals.

On July 13, 2023, 1,137,668 stock purchase warrants having an exercise price of \$3.00 per share expired.

On July 17, 2023, Benchmark exercised 168,000 warrants on the cashless exercise basis resulting in the issuance of 121,422 shares of common stock.

A summary of share purchase warrants outstanding and exercisable as at May 31, 2024 is as follows:

Exercise Price	Number of Warrants Outstanding	Remaining Contractual Life (Years)	Expiry Date
\$ 5.00	350,000	0.30	September 19, 2024
\$ 8.22	28,312	1.43	November 4, 2025
\$ 6.70	10,000	1.48	November 21, 2025
\$ 5.00	125,000	0.34	October 1, 2024
<u>\$ 5.21</u>	<u>513,312</u>		

**FINGERMOTION, INC.**  
Three months ended May 31, 2024 and 2023  
Notes to the Condensed Consolidated Financial Statements

**Stock Options**

On December 28, 2021, the Company granted an aggregate of 4,545,000 stock options pursuant to the Company's 2021 Stock Incentive Plan having an exercise price of \$8.00 per share and an expiry date of five years from the date of grant to 40 individuals who were directors, officers, employees and consultants of the Company. We relied upon the exemption from registration under the U.S. Securities Act provided by Rule 903 of Regulation S promulgated under the U.S. Securities Act for the grant of stock options to individuals who are non-U.S. persons and upon the exemption from registration under Section 4(a)(2) of the U.S. Securities Act for two individuals who are U.S. persons. The stock options are all subject to vesting provisions of 20% on the date of grant and 20% on each of the first, second, third, and fourth anniversary of the date of grant. At our annual meeting of stockholders held on February 17, 2023, the stockholder approved an amendment to the exercise price of the outstanding stock options from \$8.00 to \$3.84. The strike price adjustment did not affect the fair value.

The fair value of these stock options was estimated at the date of grant, using the Black-Scholes Option Valuation Model, with the following weighted average assumptions:

	<b>May 31, 2024</b>	<b>February 29, 2024</b>
Expected Risk-Free Interest Rate	1.06%	1.06%
Expected Volatility	15.27%	15.27%
Expected Life in Years	5.0	5.0
Expected Dividend Yield	—	—
Weighted-Average Grant Date Fair Value	<u>\$ 6.46</u>	<u>\$ 6.46</u>

On July 28, 2023, the Company granted an aggregate of 2,648,500 stock options pursuant to the Company's 2023 Stock Incentive Plan having an exercise price of \$4.62 per share and an expiry date of five years from the date of grant to 22 individuals who were employees and consultants of the Company's subsidiaries and contractually controlled affiliate. The stock options are all subject to vesting provisions of 20% on the date of grant and 20% on each of the first, second, third and fourth anniversary of the date of grant.

The fair value of these stock options was estimated at the date of grant, using the Black-Scholes Option Valuation Model, with the following weighted average assumptions:

	<b>May 31, 2024</b>	<b>February 29, 2024</b>
Expected Risk-Free Interest Rate	5.37%	5.37%
Expected Volatility	25.48%	25.48%
Expected Life in Years	5.0	5.0
Expected Dividend Yield	—	—
Weighted-Average Grant Date Fair Value	<u>\$ 4.58</u>	<u>\$ 4.58</u>

A continuity schedule of outstanding stock options as at May 31, 2024, and the changes during the period, is as follows:

	<b>Number of Stock Options</b>	<b>Exercise Price</b>
Balance, February 28, 2022	4,545,000	\$ 3.84
Cancelled/Forfeited	(974,000)	3.84
Balance, February 28, 2023	3,571,000	\$ 3.84
Stock Options Grant - July 28, 2023	2,648,500	4.62
Exercised	(180,400)	3.84
Balance, May 31, 2024	<u>6,039,100</u>	<u>\$ 4.18</u>

**FINGERMOTION, INC.**  
Three months ended May 31, 2024 and 2023  
Notes to the Condensed Consolidated Financial Statements

**Stock Options (continued)**

The table below sets forth the number of issued shares and cash received upon exercise of stock options:

	May 31, 2024	February 29, 2024
Number of Options Exercised on Forfeiture Basis	—	89,502
Number of Options Exercised on Cash Basis	—	—
Total Number of Options Exercised	—	89,502
Number of Shares Issued on Cash Exercise	—	—
Number of Shares Issued on Forfeiture Basis	—	90,898
Total Number of Shares Issued Upon Exercise of Options	—	90,898
Cash Received from Exercise of Stock Options	\$ —	\$ —
Total Intrinsic Value of Options Exercised	\$ —	\$ —

A continuity schedule of outstanding unvested stock options at May 31, 2024, and the changes during the three months periods, is as follows:

	Number of Unvested Stock Options	Weighted Average Grant Date Fair Value
Balance, February 28, 2023	2,142,600	\$ 6.46
Stock Options Grant - July 28, 2023	2,648,500	\$ 4.58
Vested – July 28, 2023	(529,700)	\$ 4.58
Vested – December 28, 2023	(714,200)	\$ 6.46
Balance, May 31, 2024	3,547,200	\$ 5.34

As at May 31, 2024, the aggregate intrinsic value of the outstanding stock options granted on December 28, 2021 was estimated at \$0 as the current price as of May 31, 2024 is \$3.14 which is lower than the strike price while the aggregate intrinsic value of the outstanding stock options granted on July 28, 2023 is \$0 as the current price as of May 31, 2024 is lower than the strike price.

A summary of stock options outstanding and exercisable as at May 31, 2024 is as follows:

Range of Exercise Prices	Options Outstanding			Options Exercisable		Weighted Average Remaining Contractual Term (Years)
	Outstanding at May 31, 2024	Exercise Price	Weighted Average Remaining Contractual Term (Years)	Exercisable at May 31, 2024	Exercise Price	
\$ 7.00 to \$ 9.00	3,390,600	\$ 3.84	1.58	1,962,200	\$ 3.84	1.58
\$ 4.00 to \$ 5.00	2,648,500	\$ 4.62	3.16	529,700	\$ 4.62	3.16
	<u>6,039,100</u>			<u>2,491,900</u>		

**FINGERMOTION, INC.**  
Three months ended May 31, 2024 and 2023  
Notes to the Condensed Consolidated Financial Statements

**Note 12 –Earnings Per Share**

The following table sets forth the computation of basic and diluted earnings per common share:

	<b>For the three months ended</b>	
	<b>May 31, 2024</b>	<b>May 31, 2023</b>
<b>Numerator - basic and diluted</b>		
Net Loss	\$ (1,655,832)	\$ (1,264,262)
<b>Denominator</b>		
Weighted average number of common shares outstanding —basic	52,660,051	51,479,890
Weighted average number of common shares outstanding —diluted	52,660,051	51,479,890
Loss per common share — basic	\$ (0.03)	\$ (0.02)
Loss per common share — diluted	\$ (0.03)	\$ (0.02)

**Note 13 – Income Taxes**

The Company and its subsidiaries file separate income tax returns.

*The United States of America*

FingerMotion, Inc. is incorporated in the State of Delaware in the U.S. and is subject to a U.S. federal corporate income tax of 21%. The Company generated a taxable loss for the three months ended May 31, 2024 and 2023.

*Hong Kong*

Finger Motion Company Limited is incorporated in Hong Kong and Hong Kong's profits tax rate is 16.5%. Finger Motion Company Limited did not earn any income that was derived in Hong Kong for the three months ended May 31, 2024 and 2023.

*The People's Republic of China (PRC)*

JiuGe Management, JiuGe Technology, Beijing XunLian and Shanghai TengLian JiuJiu were incorporated in the People's Republic of China and subject to PRC income tax at 25%.

Income tax mainly consists of foreign income tax at statutory rates and the effects of permanent and temporary differences. The Company's effective income tax rates for the three months ended May 31, 2024 and 2023 are as follows:

	<b>For the three months ended</b>	
	<b>May 31, 2024</b>	<b>May 31, 2023</b>
	(unaudited)	(unaudited)
U.S. statutory tax rate	21.0%	21.0%
Foreign income not registered in the U.S.	(21.0%)	(21.0%)
PRC profit tax rate	25.0%	25.0%
Changes in valuation allowance and others	(25.0%)	(25.0%)
Effective tax rate	<b>0.0%</b>	<b>0.0%</b>

**FINGERMOTION, INC.**  
Three months ended May 31, 2024 and 2023  
Notes to the Condensed Consolidated Financial Statements

**Note 13 – Income Taxes (continued)**

At May 31, 2024 and February 29, 2024, the Company has a deferred tax asset of \$413,976 and \$939,380, resulting from certain net operating losses in U.S., respectively. The ultimate realization of deferred tax assets depends on the generation of future taxable income during the periods in which those net operating losses are available. The Company considers projected future taxable income and tax planning strategies in making its assessment. At present, the Company concludes that it is more-likely-than-not that the Company will be able to realize all of its tax benefits in the near future and therefore a valuation allowance has been provided for the full value of the deferred tax asset. A valuation allowance will be maintained until sufficient positive evidence exists to support the reversal of any portion or all of the valuation allowance. At May 31, 2024 and February 29, 2024, the valuation allowance was \$413,976 and \$939,380, respectively.

	<u>May 31, 2024</u> (unaudited)	<u>February 29,</u> <u>2024</u>
Deferred tax asset from operating losses carry-forwards	\$ 413,976	\$ 939,380
Valuation allowance	(413,976)	(939,380)
Deferred tax asset, net	<u>\$ —</u>	<u>\$ —</u>

**Note 14 - Commitments and Contingencies**

*Legal proceedings*

The Company is not aware of any material outstanding claim and litigation against it.

**Note 15 - Subsequent Events**

On June 1, 2024, the Company's wholly owned subsidiary, Finger Motion Company Limited (the "**Borrower**"), entered into a loan agreement with Dr. Liew Yow Ming (the "**Lender**") whereby the Lender agreed to advance a short-term loan facility of SGD\$370,000 (the "**Loan**") to the Borrower for working capital purposes. As of the date hereof, the full amount of the Loan has been drawn upon by the Borrower. Each drawdown portion of the Loan is due one (1) year from the date of the drawdown, unless extended by the Lender. If the Lender agrees, the Borrower may prepay the whole or any part of the Loan by providing the Lender not less than three (3) business days prior written notice and subject to payment of interest accrued thereon. Any prepayment of the Loan shall be in an amount of SGD\$50,000 or multiples thereof. The Loan shall bear interest at the rate of 1.67% per month, any such interest to accrue from day to day and to be calculated based on a 365-day year, and is payable on a monthly basis on or before the last day of each successive month.



## ITEM 2 – MANAGEMENT’S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

The terms the “Registrant”, “we”, “us”, “our”, “FingerMotion” and the “Company” mean FingerMotion, Inc. or as the context requires, collectively with its consolidated subsidiaries and contractually controlled companies.

### Cautionary Note Regarding Forward-Looking Statements

*The following management’s discussion and analysis of the Company’s financial condition and results of operations (the “MD&A”) contains forward-looking statements that involve risks, uncertainties and assumptions including, among others, statements regarding our capital needs, business plans and expectations. In evaluating these statements, you should consider various factors, including the risks, uncertainties and assumptions set forth in reports and other documents we have filed with or furnished to the SEC and, including, without limitation, this Quarterly Report on Form 10-Q for the three months ended May 31, 2024, and our Annual Report on Form 10-K for the fiscal year ended February 29, 2024, including the consolidated financial statements and related notes contained therein. These factors, or any one of them, may cause our actual results or actions in the future to differ materially from any forward-looking statement made in this document. Refer to “Cautionary Note Regarding Forward-looking Statements” as disclosed in our Annual Report on Form 10-K for the fiscal year ended February 29, 2024, and Item 1A - Risk Factors, under Part II - Other Information of this Quarterly Report.*

### Introduction

This MD&A is focused on material changes in our financial condition from February 29, 2024, our most recently completed year end, to May 31, 2024, and our results of operations for the three months ended May 31, 2024, and should be read in conjunction with Item 7, Management’s Discussion and Analysis of Financial Condition and Results of Operations as contained in our Annual Report on Form 10-K for the fiscal year ended February 29, 2024.

### Corporate Information

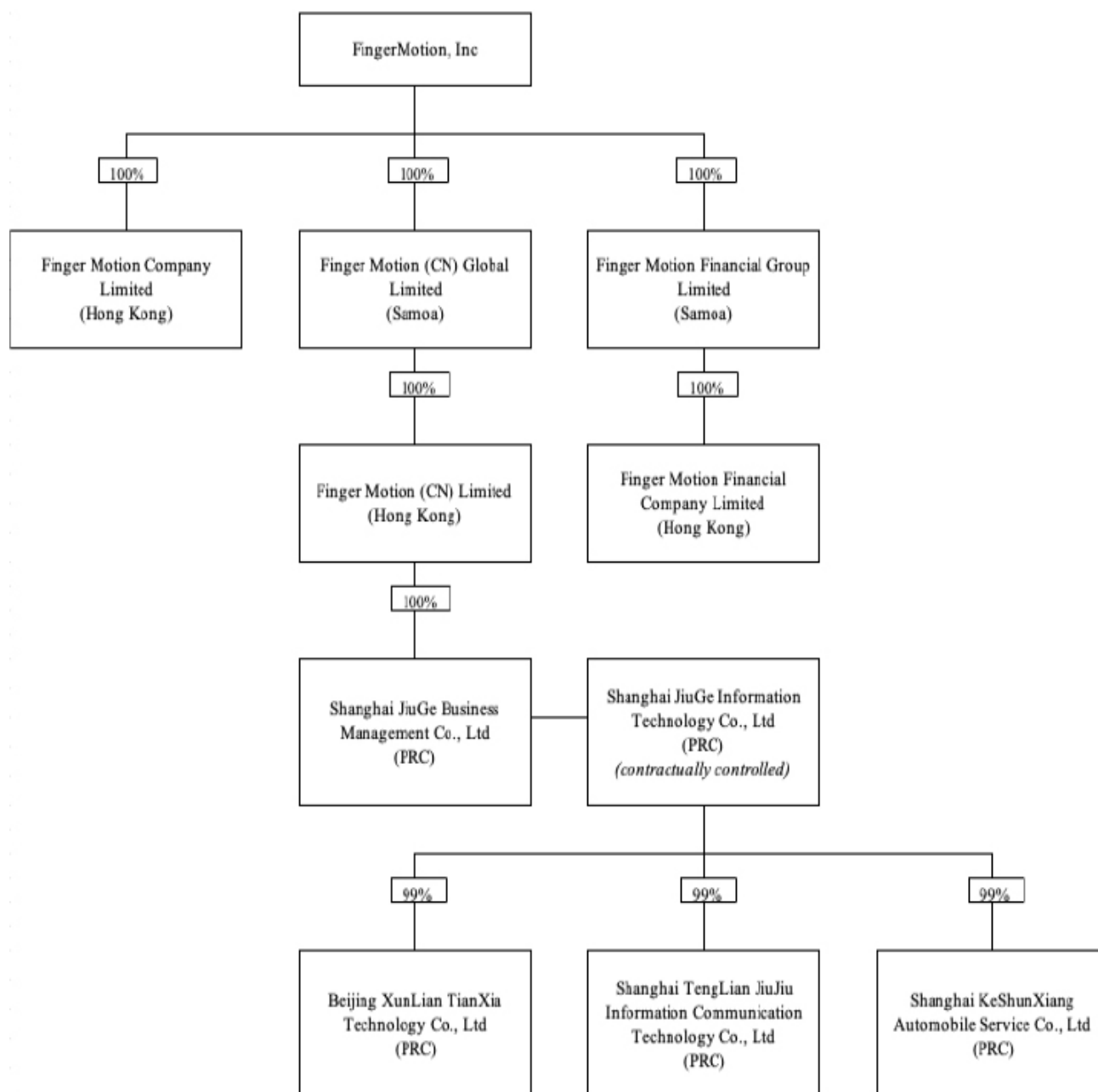
The Company was initially incorporated as Property Management Corporation of America on January 23, 2014 in the State of Delaware.

On June 21, 2017, the Company amended its certificate of incorporation to effect a 1-for-4 reverse stock split of the Company’s outstanding common stock, to increase the authorized shares of common stock to 200,000,000 shares and to change the name of the Company from “Property Management Corporation of America” to “FingerMotion, Inc.” (the “**Corporate Actions**”). The Corporate Actions and the amended certificate of incorporation became effective on June 21, 2017.

Our principal executive offices are located at 111 Somerset Road, Level 3, Singapore 238164, and our telephone number is (347) 349-5339.

We are a holding company incorporated in Delaware and not an operating company incorporated in the People’s Republic of China (the “**PRC**” or “**China**”). As a holding company, we conduct a significant part of our operations through our subsidiaries and through the VIE Agreements with the VIE based in China.

The following diagram depicts our corporate structure:



Our holding company structure presents unique risks as our investors may never directly hold equity interests in our subsidiaries or the VIE, and will be dependent upon contributions from our subsidiaries and the VIE to finance our cash flow needs. Our subsidiaries and the VIE are currently not required to obtain permission from the Chinese authorities including the China Securities Regulatory Commission (the “CSRC”), or Cybersecurity Administration Committee (the “CAC”), to operate or to issue securities to foreign investors. However, as of March 31, 2023, pursuant to the Overseas Listing Trial Measures promulgated by the CSRC, we will be required to file with the CSRC with respect to a new offering of our securities. The business of our subsidiaries and the VIE until now are not subject to cybersecurity review with the CAC, given that: (i) 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; (ii) we do not possess a large amount of personal information in our business operations. In addition, we are not subject to merger control review by China’s anti-monopoly enforcement agency due to the level of our revenues which provided from us and audited by our auditor and the fact that we currently do not expect to propose or implement any acquisition of control of, or decisive influence over, any company with revenues within China of more than RMB400 million. Currently, these statements and regulatory actions have had no impact on our daily business operations, the ability to accept foreign investments and list our securities on an U.S. or other foreign exchange. However, since these statements and regulatory actions, including the Overseas Listing Trial Measures, are new, it is uncertain what potential impact such modified or new laws and regulations will have on our daily business operation, the ability to accept foreign investments and list our securities on an U.S. or other foreign exchange.

To operate, the VIE and Beijing XunLian TianXia Technology Co., Ltd. are required to obtain, and have obtained, a value-added telecommunications business licence from PRC authorities. In connection with our previous issuance of securities to foreign investors, under current PRC laws, regulations and regulatory rules, as of the date of this periodic report on Form 10-Q, we, our PRC subsidiaries and the VIE, (i) are not required to obtain permissions from the CSRC except that as of March 31, 2023 we will be required to file with the CSRC with respect to a new offering of our securities, (ii) are not required to go through cybersecurity review by the CAC, and (iii) have received or were not denied such requisite permissions by any PRC authority. If we, our subsidiaries or the VIE (i) do not receive or maintain such permissions or approvals, (ii) inadvertently conclude that such permissions or approvals are not required or (iii) applicable laws, regulations, or interpretations change and we are required to obtain such permissions or approvals in the future, we may be subject to government enforcement actions, investigations, penalties, sanctions and fines imposed by the CSRC, the CAC and relevant departments of the State Council. In severe circumstances, the business of our PRC subsidiary may be ordered to suspend and its business qualifications and licenses may be revoked.

To address challenges resulting from laws, policies and practices that may disfavor foreign-owned entities that operate within industries deemed sensitive by the Chinese government, we use the VIE structure to provide contractual exposure to foreign investment in the PRC-based companies. We own 100% of the equity of a WFOE, Shanghai JiuGe Business Management Co., Ltd. ("**JiuGe Management**"), which has entered into the VIE Agreements with the VIE, which is owned by Ms. Li Li the legal representative and general manager, and also the shareholder of the VIE. The VIE Agreements have not been tested in court. As a result of our use of the VIE structure, you may never directly hold equity interests in the VIE. Any securities that we offer will be securities of the Company, the Delaware holding company, not of the VIE.

We fund the registered capital and operating expenses of the VIE by extending loans to the shareholders of the VIE. The VIE Agreements governing the relationship between the VIE and our WFOE enable us to (i) direct the activities of the VIE that most significantly impact the VIE's economic performance, (ii) receive substantially all of the economic benefits of the VIE, and (iii) have an exclusive call option to purchase, at any time, all or part of the equity interests in and/or assets of the VIE to the extent permitted by Chinese laws. As a result of the VIE Agreements, the Company is considered the primary beneficiary of the VIE for accounting purposes and is able to consolidate the financial results of the VIE in its consolidated financial statements in accordance with U.S. GAAP. As a result, investors in our Common Shares are not purchasing an equity interest in the VIE but instead are purchasing equity interest in FingerMotion, Inc., a Delaware holding company.

#### Share Exchange Agreement

Effective July 13, 2017, the Company entered into that certain Share Exchange Agreement (the "**Share Exchange Agreement**") by and among the Company, Finger Motion Company Limited, a Hong Kong corporation ("**FMCL**") and certain shareholders of FMCL (the "**FMCL Shareholders**"). FMCL, a Hong Kong corporation, was formed on April 6, 2016 and is an information technology company that specializes in operating and publishing mobile games. Pursuant to the Share Exchange Agreement, the Company agreed to exchange the outstanding equity stock of FMCL held by the FMCL Shareholders for shares of common stock of the Company. On the closing date of the Share Exchange Agreement, the Company issued 12,000,000 shares of common stock to the FMCL shareholders. In addition, the Company issued 600,000 shares to consultants in connection with the transactions contemplated by the Share Exchange Agreement, and 2,562,500 additional shares to accredited investors, which was a concurrent financing but not a condition of closing the Share Exchange Agreement.

As a result of the Share Exchange Agreement and the other transactions contemplated thereunder, FMCL became a wholly owned subsidiary of the Company. The Company operates its video game division through FMCL. However, in June 2018, the Company decided to pause the operation of the game division as it saw the opportunity in the telecommunication business and have since refocused into this business.

This description of the Share Exchange Agreement does not purport to be complete and is qualified in its entirety by reference to the terms of the Share Exchange Agreement, which was filed as an exhibit to our Current Report on Form 8-K filed with the SEC on July 20, 2017 and incorporated by reference herein.

### VIE Agreements

On October 16, 2018, the Company, through its indirect wholly owned subsidiary, Shanghai JiuGe Business Management Co., Ltd. (“**JiuGe Management**”), entered into a series of agreements known as variable interest agreements (the “**VIE Agreements**”) pursuant to which Shanghai JiuGe Information Technology Co., Ltd. (“**JiuGe Technology**”) became our contractually controlled affiliate. The use of VIE agreements is a common structure used to acquire PRC corporations, particularly in certain industries in which foreign investment is restricted or forbidden by the PRC government. The VIE Agreements include a Consulting Services Agreement, a Loan Agreement, a Power of Attorney Agreement, a Call Option Agreement, and a Share Pledge Agreement in order to secure the connection and commitments of JiuGe Technology. We operate our mobile payment platform business through JiuGe Technology.

The VIE Agreements included:

- a consulting services agreement through which JiuGe Management is mainly engaged in data marketing, technical services, technical consulting and business consultancy to JiuGe Technology (the “**JiuGe Technology Consulting Services Agreement**”). This agreement was duly signed among the WFOE and the VIE. Under this agreement, the WFOE will provide the following services to the VIE on an exclusive basis: (i) providing a comprehensive solution for all technical issues required for the VIE’s business; (ii) providing training to the professional technicians of the VIE; (iii) assisting the VIE in collecting technical and commercial information and conducting market surveys; (iv) assisting the VIE in procuring business opportunities to obtain contracts awarded by the telecom carries in China and maintaining the commercial relationship with the telecom carries; (v) introducing clients to the VIE and assisting the VIE in developing commercial and cooperative relationship with the clients; (vi) providing suggestions and opinions on establishment and improvement of the VIE’s corporate structure, management system and departmental organization; (vii) assisting the VIE in formulating annual business plans, the draft of which shall be made available to WFOE by the VIE prior to the end of November each year; (viii) granting license to the VIE to use WFOE’s intellectual property necessary for the services; and (ix) providing other consulting and technical services at the request of the VIE. The VIE will pay to the WFOE service fees equivalent to the after-tax net profits distributable by the VIE to its shareholder each year, as set forth in the audited financial statements in accordance with the PRC accounting standards, ensuring all the distributable profits of the VIE will be dispatched to the WFOE. The VIE may not assign any of its rights and obligations under the JiuGe Technology Consulting Services Agreement without prior written consent of the WFOE. This agreement ensures that the WFOE and investors will be able to legally obtain the profits of the VIE, and transfer them to the WFOE more conveniently in the form of “service fee”;
- a loan agreement through which JiuGe Management grants a loan to the Legal Representative of JiuGe Technology for the purpose of capital contribution (the “**JiuGe Technology Loan Agreement**”). This agreement was duly signed between the WFOE and Ms. Li Li. Under this agreement, the WFOE loaned RMB 10,000,000 to Ms. Li Li, as the sole shareholder of the VIE, solely for the purpose of the capital contribution of the subscribed capital of the VIE. The loan amount has now been increased to RMB50,000,000. The WFOE has the right to convert the whole or any part of the outstanding principal amount into the equity interests in the VIE and may demand repayment of any or all of the principal amount/ As security for performance and discharge of Ms. Li Li’s obligations under the JiuGe Technology Loan Agreement, Ms. Li Li pledged 100% equity interests in the VIE, representing the entire registered capital of the VIE, by way of first-ranking security to the WFOE. This agreement could constrain Ms. Li Li to cooperate with WFOE’s instructions and avoid damaging the rights and interests of the WFOE and investors;
- a power of attorney agreement under which the owner of JiuGe Technology has vested their collective voting control over JiuGe Technology to JiuGe Management and will only transfer their equity interests in JiuGe Technology to JiuGe Management or its designee(s) (the “**JiuGe Technology Power of Attorney Agreement**”). The Power of Attorney Agreement was duly issued by Ms. Li Li to the WFOE. Under the JiuGe Technology Power of Attorney Agreement, the WFOE is the exclusive agent who may exercise, at WFOE’s sole discretion, all the rights and powers in respect of all the 100% equity interests held by Ms. Li Li in the VIE on Ms. Li Li’s behalf, including without limitation to propose to convene, attend and vote at the shareholder’s meeting of the VIE. Ms. Li Li cannot assign her rights and obligations under the JiuGe Technology Power of Attorney Agreement without prior written consent of the WFOE and the WFOE will bear its own costs, expenses and fees in connection with performance of the JiuGe Technology Power of Attorney Agreement. This agreement ensures that the WFOE can replace Ms. LI Li in the operation and management of the VIE, and controlling its assets;

- a call option agreement under which the owner of JiuGe Technology has granted to JiuGe Management the irrevocable and unconditional right and option to acquire all of their equity interests in JiuGe Technology or transfer these rights to a third party (the “**JiuGe Technology Call Option Agreement**”). This agreement was duly signed by and among Ms. Li Li, the WFOE and the VIE. Under this agreement, the WFOE has an exclusive, irrevocable and unconditional option to purchase or to designate a third party to purchase 100% equity interests of the VIE at RMB one (1) yuan or the lowest amount of consideration permitted under the laws of PRC at any time, giving the WFOE a sole discretion to exercise such option at any time and in any manner as permitted by the laws of PRC. Pursuant to the JiuGe Technology Call Option Agreement, Ms. Li Li may not, without prior written consent of the WFOE: (i) transfer or dispose of the equity interests in the VIE or the assets of the VIE in any manner; (ii) create any encumbrance of any kind over the equity interests in the VIE, other than the VIE Agreements; and (iii) resolve to or procure the VIE to: (a) change its registered capital; (b) amend its articles of association; (c) change any of its shareholders; (d) appoint, remove or replace its senior management; (e) make or receive investment of any kind or merge or consolidate with any entity; (f) change information filed at the competent authorities in the PRC; (g) make any lending or borrowing or provide security of any kind; (h) pay, make or declare any dividend, charge, fee or other distribution of any kind; (i) incur, create or permit to subsist or have any outstanding financial indebtedness; (j) enter into any agreements that conflict with the JiuGe Technology Call Option Agreement; or (k) do any acts that would adversely impair the VIE’s ability to perform the obligations under the VIE Agreements. Neither Ms. Li Li nor the VIE may assign any of its rights and obligations under the agreement without the prior written consent of WFOE or unilaterally terminate the agreement. This agreement is one of the guarantees for WFOE and investors to ensure that the VIE will not have any potential equity changes that endanger the rights and interests of WFOE and investors; and
- a share pledge agreement under which the owner of JiuGe Technology has pledged all of their rights, titles and interests in JiuGe Technology to JiuGe Management to guarantee JiuGe Technology’s performance of its obligations under the JiuGe Technology Consulting Services Agreement (the “**JiuGe Technology Share Pledge Agreement**”). This agreement was duly signed among Ms. Li Li, the WFOE and the VIE. Under this agreement, all the equity interests of the VIE held by Ms. Li Li were pledged to the WFOE, giving the WFOE a right to exercise the share pledge where Ms. Li Li or the VIE violates the VIE Agreements. This measure under this agreement will result in the equity of the VIE being locked, making it impossible for any third party to legally obtain the equity of the VIE without the prior consent of the WFOE.

Our PRC counsel has reviewed these agreements and believes that all the VIE Agreements were duly signed and are not in violation of applicable laws of PRC. We are of the opinion that the VIE Agreements are valid and giving the WFOE a full control over the VIE in respect of the current and effective PRC laws and regulations. However, the VIE Agreements have never been challenged or recognized in court for the time being, and the PRC government may determine that the VIE Agreements are not in compliance with applicable PRC laws, rules and regulations compared with direct ownership, there may be less effective in controlling through the VIE structure.

In the first half of 2018, JiuGe Technology established contracts with China Unicom and China Mobile, initiating the provision of mobile data services to businesses and corporations in key provinces/municipalities including Chengdu, Jiangxi, Jiangsu, Chongqing, Shanghai, Zhuhai, Zhejiang, Shaanxi and Inner Mongolia. As with all dynamic markets, the specifics of our operational contracts have naturally evolved over time but our dedication to these provinces is unwavering, and we consistently enhance our service and product offerings to ensure optimal service. Additionally, as we continue to grow, there is the potential for our reach to expand into additional provinces in the PRC.

In September 2018, JiuGe Technology launched and commercialized mobile payment and recharge services to businesses for China Unicom. The JiuGe Technology mobile payment and recharge platform enables the seamless delivery of real-time payment and recharge services to third-party channels and businesses. We earn a negotiated rebate amount from each of China Unicom and China Mobile for all monies paid by consumers to China Unicom and China Mobile that we process. To encourage consumers to utilize our portal instead of using our competitors' platforms or paying China Unicom or China Mobile directly, we offer mobile data and talk time at a rate discounted from these companies' stated rates, which are also the rates we must pay to them to purchase the mobile data and talk time provided to consumers through the use of our platform. Accordingly, we earn income on the rebates we receive from the telecommunications companies, reduced by the amounts by which we discount the mobile data and talk time sold through our platform.

In October 2018, China Unicom and China Mobile awarded JiuGe Technology with contracts that established partnerships for data analysis, that could unlock potential value-added services.

This description of the VIE Agreements discussed above do not purport to be complete and are qualified in their entirety by reference to the terms of the VIE Agreements, which were filed as exhibits to our Current Report on Form 8-K filed with the SEC on December 27, 2018 and are incorporated by reference herein. The English translation version of the JiuGe Technology Share Pledge Agreement was filed as Exhibit 10.6 to our Form S-1/A (Amendment No. 1) filed with the SEC on January 5, 2023, and is incorporated by reference herein.

#### Acquisition of Beijing Technology

On March 7, 2019, the Company through JiuGe Technology acquired Beijing Technology, a company in the business of providing mass SMS text services to businesses looking to communicate with large numbers of their customers and prospective customers. Through Beijing Technology, the Company entered into the business of mass SMS text message service as a complement to its mobile payment and recharge business. The mass SMS text message service offers bulk SMS services to end consumers with competitive pricing. Currently, the Company's SMS integrated platform is processing more than 150 million SMS text messages per month. Beijing Technology retains a license from the Ministry of Industry and Information Technology ("MIIT") to operate SMS and MMS business in the PRC. Similar to the mobile recharge business, Beijing Technology is required to make a deposit or bulk purchase in advance and has secured business customers that will utilize Beijing Technology's SMS integrated platform to send bulk SMS text messages monthly. Beijing Technology has the capability to manage and track the entire process, including to assist the Company's clients to fulfil the government guidelines, until the SMS messages have been delivered successfully.

#### China Unicom Cooperation Agreement

On July 7, 2019, JiuGe Technology entered into that certain Yunnan Unicom Electronic Sales Platform Construction and Operation Cooperation Agreement (the "**Cooperation Agreement**") with China United Network Communications Limited Yunnan Branch ("**China Unicom Yunnan**"). Under the Cooperation Agreement, JiuGe Technology is responsible for constructing and operating China Unicom Yunnan's electronic sales platform through which consumers can purchase various goods and services from China Unicom Yunnan, including mobile telephones, mobile telephone service, broadband data services, terminals, "smart" devices and related financial insurance. The Cooperation Agreement provides that JiuGe Technology is required to construct and operate the platform's webpage in accordance with China Unicom Yunnan's specifications and policies, and applicable law, and bear all expenses in connection therewith. As consideration for the services it provides under the Cooperation Agreement, JiuGe Technology receives a percentage of the revenue received from all sales it processes for China Unicom Yunnan on the platform.

The Cooperation Agreement expires three years from the date of its signature, subject to a yearly auto-renewal clause, which is currently in an auto-renewal period, but it may be terminated by (i) JiuGe Technology upon three months' written notice or (ii) by China Unicom Yunnan unilaterally. The Cooperation Agreement contains customary representations from each party regarding such party's authority to enter into and perform under the Cooperation Agreement, and provides customary events of default, including for various types of failure to perform. Any disputes arising between the parties under the Cooperation Agreement will be adjudicated in Chinese courts.

This description of the Cooperation Agreement does not purport to be complete and is qualified in its entirety by reference to the terms of the Cooperation Agreement, which was filed as an exhibit to our Current Report on Form 8-K filed with the SEC on November 9, 2019 and is incorporated by reference herein.

In January 2022, Shanghai TengLian JiuJiu Information Communication Technology Co., Ltd. (“**TengLian**”) (a 99% owned subsidiary of Shanghai JiuGe Information Technology Co., Ltd.) signed a co-operation agreement with China Unicom to launch the Device Protection program for mobile phones and the new 5G phones.

### Intercorporate Relationships

The following is a list of all of our subsidiaries and the corresponding date of jurisdiction of incorporation or organization and the ownership interest of each entity. All of our subsidiaries are directly or indirectly owned or controlled by us:

<b>Name of Entity</b>	<b>Place of Incorporation / Formation</b>	<b>Ownership Interest</b>
Finger Motion Company Limited <sup>(1)</sup>	Hong Kong	100%
Finger Motion (CN) Global Limited <sup>(2)</sup>	Samoa	100%
Finger Motion (CN) Limited <sup>(3)</sup>	Hong Kong	100%
Shanghai JiuGe Business Management Co., Ltd. <sup>(4)</sup>	PRC	100%
Shanghai JiuGe Information Technology Co., Ltd. <sup>(5)</sup>	PRC	Contractually controlled <sup>(5)</sup>
Beijing XunLian TianXia Technology Co., Ltd. <sup>(6)</sup>	PRC	Contractually controlled
Finger Motion Financial Group Limited <sup>(7)</sup>	Samoa	100%
Finger Motion Financial Company Limited <sup>(8)</sup>	Hong Kong	100%
Shanghai TengLian JiuJiu Information Communication Technology Co., Ltd. <sup>(9)</sup>	PRC	Contractually controlled
Shanghai KeShunXiang Automobile Service Co., Ltd. <sup>(10)</sup>	PRC	Contractually controlled

#### Notes:

- (1) Finger Motion Company Limited is a wholly-owned subsidiary of FingerMotion, Inc.
- (2) Finger Motion (CN) Global Limited is a wholly-owned subsidiary of FingerMotion, Inc.
- (3) Finger Motion (CN) Limited is a wholly-owned subsidiary of Finger Motion (CN) Global Limited.
- (4) Shanghai JiuGe Business Management Co., Ltd. is a wholly-owned subsidiary of Finger Motion (CN) Limited.
- (5) Shanghai JiuGe Information Technology Co., Ltd. is a variable interest entity that is contractually controlled by Shanghai JiuGe Business Management Co., Ltd.
- (6) Beijing XunLian TianXia Technology Co., Ltd. is a 99% owned subsidiary of Shanghai JiuGe Information Technology Co., Ltd.
- (7) Finger Motion Financial Group Limited is a wholly-owned subsidiary of FingerMotion, Inc.
- (8) Finger Motion Financial Company Limited is a wholly-owned subsidiary of Finger Motion Financial Group Limited.
- (9) Shanghai TengLian JiuJiu Information Communication Technology Co., Ltd. is a 99% owned subsidiary of Shanghai JiuGe Information Technology Co., Ltd.
- (10) Shanghai KeShunXiang Automobile Service Co., Ltd. is a 99% owned subsidiary of Shanghai JiuGe Information Technology Co., Ltd.

Because we do not directly hold equity interests in the VIE, we are subject to risks and uncertainties of the interpretations and applications of Chinese laws and regulations, including but not limited to, the validity and enforcement of the VIE Agreements among the WFOE, the VIE and the shareholder of the VIE. We are also subject to the risks and uncertainties about any future actions of the Chinese government in this regard that could disallow the VIE structure, which would likely result in a material change in our operations and may cause the value of our Common Shares to depreciate significantly or become worthless.

The VIE Agreements may not be as effective as direct ownership in providing operational control. For instance, the VIE and its shareholders could breach their contractual arrangements with us by, among other things, failing to conduct their operations in an acceptable manner or taking other actions that are detrimental to our interests. The shareholder of the VIE may not act in the best interests of our Company or may not perform their obligations under the VIE Agreements. Such risks exist throughout the period in which we intend to operate certain portions of our business through the VIE Agreements with the VIE. In the event that the VIE or its shareholder fail to perform their respective obligations under the VIE Agreements, we may have to incur substantial costs and expend additional resources to enforce such arrangements. In addition, even if legal actions are taken to enforce the VIE Agreements, there is uncertainty as to whether Chinese courts would recognize or enforce judgments of U.S. courts against us or such persons predicated upon the civil liability provisions of the securities laws of the United States or any state. See “Risk Factors—Risks Related to the VIE Agreements”. We rely on the VIE Agreements with the VIE and its shareholder for a significant portion of our business operations. The VIE Agreements may not be as effective as direct ownership in providing operational control. Any failure by the VIE or its shareholder to perform their obligations under such contractual arrangements would have a material and adverse effect on our business.

As of the date of this periodic report on Form 10-Q, we and the VIE are not required to seek permissions from the CSRC, the CAC, or any other entity that is required to approve of the operations of the VIE, other than a value-added telecommunications business licence, which has already been obtained. Nevertheless, Chinese regulatory authorities may in the future promulgate laws, regulations or implement rules that require us, our subsidiaries or the VIEs to obtain permissions from such regulatory authorities to approve the operations of the VIE or any securities listing.

## Overview

The Company is a mobile data specialist company incorporated in Delaware, USA, with its head office located at 111 Somerset Road, Level 3, Singapore 238164. The Company operates the following lines of business: (i) Telecommunications Products and Services; (ii) Value Added Products and Services (iii) Short Message Services (“SMS”) and Multimedia Messaging Services (“MMS”); (iv) a Rich Communication Services (“RCS”) platform; (v) Big Data Insights; and (vi) a Video Games Division (inactive).

### Telecommunications Products and Services

The Company’s current product mix consisting of payment and recharge services, data plans, subscription plans, mobile phones, loyalty points redemption and other products bundles (i.e. mobile protection plans). Chinese mobile phone consumers often utilize third-party e-marketing websites to pay their phone bills. If the consumer connected directly to the telecommunications provider to pay his or her bill, the consumer would miss out on any benefits or marketing discounts that e-marketers provide. Thus, consumers log on to these e-marketer’s websites, click into their respective phone provider’s store, and “top up,” or pay, their telecommunications provider for additional mobile data and talk time.

To connect to the respective mobile telecommunications providers, these e-marketers must utilize a portal licensed by the applicable telecommunication company that processes the payment. We have been granted one of these licenses by China United Network Communications Group Co., Ltd. (“**China Unicom**”) and China Mobile Communications Corporation (“**China Mobile**”), each of which is a major telecommunications provider in China. We principally earn revenue by providing mobile payment and recharge services to customers of China Unicom and China Mobile.

We conduct our mobile payment business through JiuGe Technology, our contractually controlled affiliate through the entry into the VIE Agreements in October 2018. In the first half of 2018, JiuGe Technology secured contracts with China Unicom and China Mobile to distribute mobile data for businesses and corporations in nine provinces/municipalities, namely Chengdu, Jiangxi, Jiangsu, Chongqing, Shanghai, Zhuhai, Zhejiang, Shaanxi, Inner Mongolia, Henan and Fujian. In September 2018, JiuGe Technology launched and commercialized mobile payment and recharge services to businesses for China Unicom. In May 2021, JiuGe Technology signed a volume-based agreement with China Mobile Fujian to offer recharge services to the Fujian province which we have launched and commercialized in November 2021.

The JiuGe Technology mobile payment and recharge platform enables the seamless delivery of real-time payment and recharge services to third-party channels and businesses. We earn a rebate from each telecommunications company on the funds paid by consumers to the telecommunications companies we process. To encourage consumers to utilize our portal instead of using our competitors’ platforms or paying China Unicom or China Mobile directly, we offer mobile data and talk time at a rate discounted from these companies’ stated rates, which are also the rates we must pay to them to purchase the mobile data and talk time provided to consumers through the use of our platform. Accordingly, we earn income on the rebates we receive from China Unicom and China Mobile, reduced by the amounts by which we discount the mobile data and talk time sold through our platform.



FingerMotion started and commercialized its “Business to Business” (“B2B”) model by integrating with various e-commerce platforms to provide its mobile payment and recharge services to subscribers or end consumers. In the first quarter of 2019 FingerMotion expanded its business by commercializing its first “Business to Consumer” (“B2C”) model, offering the telecommunication providers’ products and services, including data plans, subscription plans, mobile phones, and loyalty points redemption, directly to subscribers or customers of the e-commerce companies, such as PinDuoDuo (“PDD”), TMall (“TMALL”) and JD.Com. The Company is planning to further expand its universal exchange platform by setting up B2C stores on several other major e-commerce platforms in China. In addition to that, we have been assigned as one of China’s Mobile’s loyalty redemption partner where we will be providing the services for their customers via our platform.

Additionally, as previously disclosed, on July 7, 2019, JiuGe Technology, our contractually controlled affiliate, entered into that certain Cooperation Agreement with China Unicom Yunnan, whereby JiuGe Technology is responsible for constructing and operating China Unicom’s electronic sales platform through which consumers can purchase various goods and services from China Unicom, including mobile telephones, mobile telephone service, broadband data services, terminals, “smart” devices and related financial insurance. The Cooperation Agreement provides that JiuGe Technology is required to construct and operate the platform’s webpage in accordance with China Unicom’s specifications and policies, and applicable law, and bear all expenses in connection therewith. As consideration for the service JiuGe Technology provides under the Cooperation Agreement, it receives a percentage of the revenue received from all sales it processes for China Unicom on the platform. The Cooperation Agreement expires three years from the date of its signature with a yearly auto-renewal clause, which is currently in an auto-renewal period, but it may be terminated by (i) JiuGe Technology upon three months’ written notice or (ii) by China Unicom unilaterally.

During the recent fiscal year, the Company expanded its offering under their telecommunication product and services by increasing their product line revenue streams. In March 2020, FingerMotion secured a contract with both China Mobile and China Unicom to acquire new users to take up the respective subscription plans.

In February 2021, we increased the mobile phones sales to end users using all of our platforms. This business will continue to contribute to the overall revenue for the group as part of our offering to our customers.

#### Value Added Product and Services

These are new product and services that the Company expects to secure and work with the telecommunication provider and all our e-commerce platform partners to market. In February 2022, our contractually controlled subsidiary, JiuGe Technology, through its 99% own subsidiary TengLian signed an agreement with both China Unicom and China Mobile to co-operate to roll out the Mobile Device Protection product which is incorporated into the Telecommunication subscription plans in line with their roll out of new mobile phones and new 5G phones. In mid-July 2022, we launched the roll out of the Mobile Device protection product with the roll out of the new mobile phones and 5G phones. Complementing our hardware protection services, we have introduced cloud services designed to offer corporate customers robust data storage, processing capabilities, and databases accessible via the internet.

#### SMS and MMS Services

On March 7, 2019, the Company through JiuGe Technology acquired Beijing Technology Co, a company in the business of providing mass SMS text services to businesses looking to communicate with large numbers of their customers and prospective customers. With this acquisition, the Company expanded into a second partnership with the telecom companies by acquiring bulk SMS and MMS bundles at reduced prices and offering bulk SMS services to end consumers with competitive pricing. Beijing Technology retains a license from MIIT to operate the SMS and MMS business in the PRC. Similar to the mobile payment and recharge business, Beijing Technology is required to make a deposit or bulk purchase in advance and has secured business customers, including premium car manufacturers, hotel chains, airlines and e-commerce companies, that utilize Beijing Technology’s SMS integrated platform to send bulk SMS text messages monthly. Beijing Technology has the capability to manage and track the entire process, including guiding the Company’s customer to meet MIIT’s guidelines on messages composed, until the SMS messages have been delivered successfully.

### Rich Communication Services

In March 2020, the Company began the development of an RCS platform, also known as Messaging as a Platform (“**MaaP**”). This RCS platform will be a proprietary business messaging platform that enables businesses and brands to communicate and service their customers on the 5G infrastructure, delivering a better and more efficient user experience at a lower cost. For example, with the new 5G RCS message service, consumers will have the ability to list available flights by sending a message regarding a holiday and will also be able to book and buy flights by sending messages. This will allow telecommunication providers like China Unicom and China Mobile to retain users on their systems without having to utilize third-party apps or log onto the Internet, which will increase their user retention. We expect this to open up a new marketing channel for the Company’s current and prospective business partners. Currently, the deployment of this RCS platform is under review, with discussion ongoing among government bodies, major service providers, and telecommunication companies. These deliberations aim to assess the potential market impacts and establish the necessary consents before the launch, considering the significant changes the platform may introduce to user interactions with existing services. These discussions seek to ensure that all stakeholders’ concerns are addressed comprehensively. Once these issues are resolved and the necessary approval is obtained, we anticipate a substantial enhancement in our service offerings and an expansion of our market reach.

### Big Data Insights

In July 2020, the Company launched its proprietary technology platform “Sapientus” as its big data insights arm to deliver data-driven solutions and insights for businesses within the insurance, healthcare, and financial services industries. The Company applies its vast experience in the insurance and financial services industry and capabilities in technology and data analytics to develop revolutionary solutions targeted towards insurance and financial consumers. Integrating diverse publicly available information, insurance and financial based data with technology and finally registering them into the FingerMotion telecommunications and insurance ecosystem, the Company would be able to provide functional insights and facilitate the transformation of key components of the insurance value chain, including driving more effective and efficient underwriting, enabling fraud evaluation and management, empowering channel expansion and market penetration through novel product innovation, and more. The ultimate objective is to promote, enhance and deliver better value to our partners and customers.

The Company’s proprietary risk assessment engine offers standard and customized scoring and appraisal services based on multi-dimensional factors. The Company has the ability to provide potential customers and partners with insights-driven and technology-enabled solutions and applications including preferred risk selection, precision marketing, product customization, and claims management (e.g., fraud detection). The Company’s mission is to deliver the next generation of data-driven solutions in the financial services, healthcare, and insurance industries that result in more accurate risk assessments, more efficient processes, and a more delightful user experience.

On or around January 25, 2021, the Company’s wholly owned subsidiary, Finger Motion Financial Company Limited’s, big data analytic arm branded “Sapientus,” entered into a services agreement with Pacific Life Re, a global life reinsurer serving the insurance industry with a comprehensive suite of products and services.

In December 2021, the Company through JiuGe Technology formed a collaborative research alliance with Munich Re in extending behavioral analytics to enhance understanding of morbidity and behavioral patterns in China market, with the goal of creating value for both insurers and the end insurance consumers through better technology, product offerings and customer experience.

### Our Video Game Division

The video game industry covers multiple sectors and is currently experiencing a move away from physical games towards digital software. Advances in technology and streaming now allow users to download games rather than visiting retailers. Video game publishers are expanding their direct-to-consumer channels with mobile gaming, the current growth leader, and eSports and virtual reality gaining momentum as the next big sectors. In June 2018, we temporarily paused its publishing and operating plans for existing games, and the Company’s Board of Directors decided to re-focus the Company’s resources into new business opportunities in China, particularly the mobile phone payment and data business.

## Recent Developments

On April 17, 2024, our contractually controlled subsidiary, JiuGe Technology, is entering into arrangements with certain electric vehicle (“EV”) charging station providers in the PRC to allow EV owners who have subscribed to the Da Ge app to locate and charge their vehicles, which is expected to significantly expand DaGe’s usage.

## Results of Operations

### Three Months Ended May 31, 2024 Compared to Three Months Ended May 31, 2023

The following table sets forth our results of operations for the periods indicated:

	For the three months ended	
	May 31, 2024	May 31, 2023
Revenue	\$ 8,373,983	\$ 12,169,091
Cost of revenue	\$ (7,692,094)	\$ (11,506,542)
Total operating expenses	\$ (2,357,978)	\$ (1,842,051)
Total other income (expenses)	\$ 20,257	\$ (84,760)
Net Loss attributable to the Company’s shareholders	\$ (1,655,904)	\$ (1,265,471)
Foreign currency translation adjustment	\$ (64,999)	\$ 413,808
Comprehensive loss attributable to the Company	\$ (1,719,837)	\$ (851,615)
Basic Loss Per Share attributable to the Company	\$ (0.03)	\$ (0.02)
Diluted Loss Per Share attributable to the Company	\$ (0.03)	\$ (0.02)

### Revenue

The following table sets forth the Company’s revenue from its three lines of business for the periods indicated:

	For the three months ended		Change (%)
	May 31, 2024	May 31, 2023	
Telecommunication Products & Services	\$ 210,189	\$ 12,011,264	-98%
SMS & MMS Business	\$ 8,163,794	\$ 8,121	100427%
Big Data	\$ —	\$ 149,706	-100%
Total Revenue	\$ 8,373,983	\$ 12,169,091	-31%

We recorded \$8,373,983 in revenue for the three months ended May 31, 2024, a decrease of \$3,795,108 or 31%, compared to the three months ended May 31, 2023. This decrease resulted from an increase in revenue of \$8,155,673 from our SMS & MMS business, offset by decreases in revenue of \$11,801,075 and \$149,706 from our Telecommunication Products & Services and Big Data businesses, respectively. We principally earn revenue by providing mobile payment and recharge services to customers of telecommunications companies in China. Specifically, we earn a negotiated rebate amount from the telecommunications companies for all monies paid by consumers to those companies that we process. For the three months ended May 31, 2024, our SMS & MMS business saw a significant revenue increase due to the strategic reallocation of resources to this segment, allowing us to capitalize on higher margins and improved profitability. This strategic shift reflects our focus on optimizing our business portfolio by prioritizing higher-margin segments, which has resulted in a corresponding decrease in revenue from our Telecommunication Product & Services. In shifting focus to our Big Data business in FY2021, we forged a valuable alliance with Pacific Life Re, a global life reinsurance serving the insurance industry with a comprehensive suite of products and services, to develop a holistic multi-faceted risk rating concept, leveraging the Company’s proprietary approach to analytics by drawing data from novel sources and filtering them through advance algorithms with the ultimate goal to apply new insights generated from our predictive model to the traditional insurance industry. Building upon the successful implementation of the initial phase, Pacific Life Re proceeded with Phase 2 in the previous fiscal year. During the last quarter of FY2022, we established a collaborative research alliance with Munich Re in extending behavioral analytics to enhance understanding of morbidity and behavioral patterns in the Chinese market. The objective is to create value for both insurers and the end insurance consumers through technology advancements, improved product offerings and enhanced customer experiences. Following the successful execution of our joint initiatives with Munich Re, we are now in active discussion to develop a new partnership arrangement.

### Cost of Revenue

The following table sets forth the Company's cost of revenue for the periods indicated:

	For the three months ended	
	May 31, 2024	May 31, 2023
Telecommunication Products & Services	\$ 45,844	\$ 11,499,466
SMS & MMS Business	\$ 7,646,250	\$ 7,076
Big Data	\$ —	\$ —
<i>Total Cost of Revenue</i>	<i>\$ 7,692,094</i>	<i>\$ 11,506,542</i>

We recorded \$7,692,094 in costs of revenue for the three months ended May 31, 2024, a decrease of \$3,814,448 or 33%, compared to the three months ended May 31, 2023. As previously mentioned, we principally earn revenue by providing mobile payment and recharge services to customers of telecommunications companies, subscription plans and mobile phone sales in China. To earn this revenue, we incur cost of the product, certain customer acquisition costs, including discounts to our customers and promotional expenses, which is reflected in our cost of revenue.

### Gross profit

Our gross profit for the three months ended May 31, 2024 was \$681,889, an increase of \$19,340 or 3%, compared to the three months ended May 31, 2023. This increase in gross profit resulted from higher profit margins for the period.

### Amortization & Depreciation

We recorded depreciation of \$12,014 for fixed assets for the three months ended May 31, 2024, a decrease of \$6,328 or 35%, compared to the three months ended May 31, 2023.

### General & Administrative Expenses

The following table sets forth the Company's general and administrative expenses for the periods indicated:

	For the three months ended	
	May 31, 2024	May 31, 2023
Accounting	\$ 23,628	\$ 33,086
Consulting	\$ 424,438	\$ 396,033
Entertainment	\$ 67,823	\$ 73,239
IT	\$ 11,738	\$ 43,887
Rent	\$ 33,196	\$ 38,442
Salaries & Wages	\$ 616,642	\$ 489,706
Technical Fee	\$ 60,346	\$ 37,618
Travelling	\$ 81,838	\$ 47,361
Others	\$ 562,128	\$ 202,618
<i>Total G&amp;A Expenses</i>	<i>\$ 1,881,777</i>	<i>\$ 1,361,990</i>

We recorded \$1,881,777 in general and administrative expenses for the three months ended May 31, 2024, an increase of \$519,787 or 38%, compared to the three months ended May 31, 2023. The key increases, especially for salaries, technical fee, travelling and others in the three months ended May 31, 2024 as compared to the three months ended May 31, 2023. The increase encompasses a range of costs integral to the Company's ongoing operational and administrative requirements and these increases are necessary to support the Company's growth and ongoing operational needs.

### Marketing Cost

The following table sets forth the Company's marketing cost for the periods indicated:

	For the three months ended	
	May 31, 2024	May 31, 2023
Marketing Cost	\$ 62,524	\$ (6,841)

We recorded \$62,524 in marketing cost for the three months ended May 31, 2024, being an increase of \$69,365 or 1,014%, compared to the three months ended May 31, 2023. These marketing costs were incurred across our various business segments including promoting our newly launched DaGe platform. Marketing costs represent the costs of promoting our product offerings through all our platforms.

### Research & Development

The following table sets forth the Company's research & development for the periods indicated:

	For the three months ended	
	May 31, 2024	May 31, 2023
Research & Development	\$ 178,993	\$ 172,099

We incurred fees of \$178,993 in research & development for the three months ended May 31, 2024 as compared to \$172,099 for the three months ended May 31, 2023. The increase of \$6,894 or 4% was due to the data access and usage fees charged by telecommunications company.

Our Insurtech division focuses on consumer behavioral insights extraction for the purpose of risk assessment. Insights are mined from a multitude of data sources, harmonized with the objectives of our various business partners. The initial phase of business application is to focus on the insurance industry, particularly in the area of underwriting risk rating, complementary claims adjudication and assessment, and risk segmentation & market penetration.

This division comprises of experienced actuaries, data scientists, and computer programmers.

The expenses for research & development include associated wages and salaries, data access fees and IT infrastructure.

Over the course of 2023, Sapietus has made great strides on several fronts: market implementation, analytical advancement, and network engagement. These developments proceed in parallel with continued efforts to enrich our portfolio line-up towards fulfilling our commercialization potential and value creation objectives:

- Deployment of an analytic engine within the leading reinsurer's risk assessment and selection system.
  - Our rating models have been onboarded onto our partner's innovative digital solutions platform as an embedded component of their underwriting engine. Through this pilot adoption, we brought forward both integrative as well as complementary value through injecting new data-driven insights and risk-scoring capabilities into our partner's system. We believe this arrangement strategically positions Sapietus for further market recognition and partnership opportunities.
  - Currently, our rating models are being used by more than 20 major insurance companies, with increasing reach in terms of user base and business coverage as our reinsurer partner continues to actively engage more insurance clients and apply our model results across wider spectrums of product lines including medical and Critical Illness (CI) portfolios.
- Model enhancement through calibration against empirical data - We have deepened our analytic capabilities in generating risk insights and behavioral understanding through sharpening our proprietary modelling tools with empirical insurance claims data, in conjunction with our partner's medical as well as non-medical underwriting guidelines. The elevated intelligence of our system could empower our partners with a greater latitude of risk and value segmentation abilities critical for successful portfolio management.

- Strengthening of existing partnerships and broadening into new engagements -We continue to leverage our vast analytical assets and reinvent our capabilities to better serve existing partners as well as recruit new collaboration parties. As part of our new business and partner acquisition strategy, we have been actively developing and promoting new value propositions, such as offering proprietary analytic tools and insights that facilitate more effective sales profiling and creative product innovations, capturing a wider commercial audience.
- Official patent recognition – Over the past four years, Sapientus has been granted eight patents by the National Copyright Administration of China (NCAC) for the abovementioned model algorithms and technological infrastructure as well as insurance-oriented applications, for example, Risk Rating API Design, and Insurance Risk Assessment platform and Insurance Fraud Detection System. NCAC is the governing body for patent and copyright verification and approval in China. The Company's successful applications for these patents validate Sapientus' continuing innovation in data science and its application in the field of insurance, finance, and beyond, demonstrating the Company's active participation and contributions to the industry.

It is important to emphasize that our allocation to research and development is foundational to our technology-oriented operations. Our steadfast dedication to innovation remains undiminished, and we expect to persistently advance in our developmental endeavors to reinforce our technological edge.

#### Share Compensation Expenses

The following table sets forth the Company's share compensation expenses for the periods indicated:

	<b>For the three months ended</b>	
	<b>May 31, 2024</b>	<b>May 31, 2023</b>
Share compensation expenses	\$ 222,670	\$ 296,461

We incurred fees of \$222,670 in share issuance for consultants in consideration of the services which have been provided to the Company for the three months ended May 31, 2024 as compared to \$296,461 for the three months ended May 31, 2023. The decrease of \$73,791 or 25% was due to the reduced engagement of consultants to the Company that were compensated with shares of our common stock, which highlights our effort to minimize equity issuances as part of our broader financial strategy to optimize equity issuances. However, we will continue to employ equity compensation for consultants selectively, aligning with our strategic and financial objectives.

#### Operating Expenses

We recorded \$2,357,978 in operating expenses for the three months ended May 31, 2024, as compared to \$1,842,051 in operating expenses for the three months ended May 31, 2023. The increase of \$515,927 or 28%, for the three months ended May 31, 2024 is as set forth above.

#### Net Loss attributable to the Company's shareholders

The net loss attributable to the Company's shareholders was \$1,655,904 for the three months ended May 31, 2024 and \$1,265,471 for the three months ended May 31, 2023. The increase in net loss attributable to the Company's shareholders of \$390,433 or 31% resulted primarily from the higher general & administrative expenses as discussed above.

## Liquidity and Capital Resources

The following table sets out our cash and working capital as of May 31, 2024 and February 29, 2024:

	As at May 31, 2024	As at February 29, 2024
Cash and cash equivalents	\$ 1,064,124	\$ 1,517,232
Working capital	\$ 10,732,123	\$ 11,971,003

At May 31, 2024, we had cash and cash equivalents of \$1,064,124, as compared to cash and cash equivalents of \$1,517,232 at February 29, 2024. Our mobile payment business model necessitates periodic fund deposits with our telecommunication companies to obtain access to the mobile data and talk time we make available to consumers on our portal. Additionally, our expansion into the cloud-based business, which features a longer collection cycle, has led to an increase in accounts receivable and consequently, a greater strain on our liquidity. To manage these operational demands effectively, we have had to carefully monitor and manage our cash flows. The Company otherwise does not have any planned capital expenditures and has historically funded its operations from revenues and sales of securities, including convertible debt securities. We believe that our cash on hand and cash equivalents, coupled with our operating revenues, will sufficiently cover our projected operational needs and address our outstanding liabilities for the next 12 months. For more expansive growth, further enhancing our deposits with telecommunication entities will be crucial. In line with this, we intend to continue to seek additional capital through public or private sales of our equity or debt securities, or both. We might also enter into financing arrangements with commercial banks or non-traditional lenders. We cannot provide investors with any assurance that we will be able to raise additional funding from the sale of our equity or debt securities, or both, in order to increase our deposits with our telecommunications company clients, or if available, that such funding will be on terms acceptable to us.

We did, however, as of May 28, 2024, receive \$775,000 in subscription proceeds to purchase 310,000 shares of our common stock at \$2.50 per share on a private placement basis. When we issue the shares pursuant to the subscription agreements, we intend to rely upon the exemption from the registration requirements of the U.S. Securities Act of 1933, as amended (the “**U.S. Securities Act**”) provided by Rule 903 of Regulation S promulgated under the U.S. Securities Act.

## Statement of Cashflows

The following table provides a summary of cash flows for the periods presented:

	For the three months ended	
	May 31, 2024	May 31, 2023
Net cash used in operating activities	\$ (1,409,939)	\$ (2,577,951)
Net cash used in investing activities	\$ —	\$ (380)
Net cash provided by (used in) financing activities	\$ 775,000	\$ (1,075,333)
Effect of exchange rates on cash & cash equivalents	\$ 181,831	\$ (161,665)
Net increase (decrease) in cash and cash equivalents	\$ (453,108)	\$ (3,815,329)

### Cash Flow used in Operating Activities

Net cash used in operating activities decreased by \$1,168,012 in the three months ended May 31, 2024 compared to the three months ended May 31, 2023, primarily due to an increase in account receivable of (\$7,762,176) (May 31, 2023: (\$322,774)), increase in other receivable of (\$150,316) (May 31, 2023: (\$1,659,906)); offset by decrease in prepayment and deposit of \$24,000 (May 31, 2023: \$899,836), increase in accounts payable of \$6,884,661 (May 31, 2023: \$32,328), increase in accrual and other payable of \$833,177 (May 31, 2023: (\$645,872)) and increase in lease liability of \$12,006 (May 31, 2023: (\$1,188)).

#### Cash Flow used in Investing Activities

During the three months ended May 31, 2024, net cash used in investing activities decreased by \$380 compared to \$380 in the three months ended May 31, 2023.

#### Cash Flow provided by Financing Activities

During the three months ended May 31, 2024, net cash provided by financing activities was \$775,000 compared to net cash used by financing activities during the three months ended May 31, 2023 of \$1,075,333. The increase was due to the receipt of subscription proceeds to purchase 310,000 shares of our common stock at \$2.50 per share on a private placement basis.

#### **Off-Balance Sheet Arrangements**

There are no off-balance sheet arrangements that have or are reasonably likely to have a current or future effect on our financial condition, changes in financial condition, revenues or expenses, results of operations, liquidity, capital expenditures or capital resources that is material to investors.

#### **Subsequent Events**

On June 1, 2024, the Company's wholly owned subsidiary, Finger Motion Company Limited (the "**Borrower**"), entered into a loan agreement with Dr. Liew Yow Ming (the "**Lender**") whereby the Lender agreed to advance a short-term loan facility of SGD\$370,000 (the "**Loan**") to the Borrower for working capital purposes. As of the date hereof, the full amount of the Loan has been drawn upon by the Borrower. Each drawdown portion of the Loan is due one (1) year from the date of the drawdown, unless extended by the Lender. If the Lender agrees, the Borrower may prepay the whole or any part of the Loan by providing the Lender not less than three (3) business days prior written notice and subject to payment of interest accrued thereon. Any prepayment of the Loan shall be in an amount of SGD\$50,000 or multiples thereof. The Loan shall bear interest at the rate of 1.67% per month, any such interest to accrue from day to day and to be calculated based on a 365-day year, and is payable on a monthly basis on or before the last day of each successive month.

Other than the above, we have determined that we do not have any material subsequent events to report.

#### **Critical Accounting Policies**

For a complete summary of all our significant accounting policies refer to Note 2 - Summary of Principal Accounting Policies of the Notes to the Consolidated Financial Statements as presented under Item 8, Financial Statements and Supplementary Data in our Annual Report on Form 10-K for our fiscal year ended February 29, 2024 filed with the SEC on May 29, 2024.

Refer to "Critical Accounting Policies" under Item 7, Management's Discussion and Analysis of Financial Condition and Results of Operations in our Annual Report on Form 10-K for our fiscal year ended February 29, 2024 filed with the SEC on May 29, 2024.

#### **Recently Issued Accounting Pronouncements**

The Company does not believe recently issued but not yet effective accounting standards, if currently adopted, would have a material effect on the consolidated financial position, statements of operations and cash flows.

#### **ITEM 3 - QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK**

As a smaller reporting company as defined in Rule 12b-2 under the Exchange Act, the Company is not required to provide the information required by this item.



## ITEM 4 – CONTROLS AND PROCEDURES

### *Evaluation of Disclosure Controls and Procedures*

Our management, with the participation of our Chief Executive Officer and Chief Financial Officer, evaluated the effectiveness of our disclosure controls and procedures (as such term is defined in Rules 13a-15(e) and 15d-15(e) under the Exchange Act), as of the end of the period covered by this Annual Report. Our disclosure controls and procedures are designed to ensure that information required to be disclosed by us in reports that we file or submit under the Exchange Act is (1) recorded, processed, summarized and reported within the time periods specified in the SEC's rules and forms, and (2) accumulated and communicated to our management, including our Chief Executive Officer and Chief Financial Officer, as appropriate to allow timely decisions regarding required disclosure. Our management recognizes that any controls and procedures, no matter how well designed and operated, can provide only reasonable assurance of achieving their objectives and management necessarily applies its judgment in evaluating the cost-benefit relationship of possible controls and procedures.

Based on such evaluation of our disclosure controls and procedures as of May 31, 2024, our Chief Executive Officer and Chief Financial Officer concluded that due to the existence of material weaknesses in our internal controls over financial reporting, as discussed in more detail below, our disclosure controls and procedures were not effective as of May 31, 2024. Management has continued to monitor the implementation of the remediation plan described below.

### **Management's quarterly report on internal control over financial reporting**

Management of FingerMotion, Inc. is responsible for establishing and maintaining adequate internal control over financial reporting, as such term is defined in Exchange Act Rules 13a-15(f) and 15d-15(f). The Company's internal control over financial reporting ("**ICFR**") is designed under the supervision of our Chief Executive Officer, acting in the capacity of principal executive officer, and our Chief Financial Officer, acting in the capacity of principal financial officer, and effected by our board of directors, management and other personnel, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with U.S. generally accepted accounting principles, or GAAP. The Company's ICFR includes those policies and procedures that: (i) pertain to the maintenance of records that, in reasonable detail, accurately and fairly reflect the transactions and dispositions of the Company's assets; (ii) provide reasonable assurance that transactions are recorded as necessary to permit preparation of financial statements in accordance with GAAP, and that the Company's receipts and expenditures are being made only in accordance with authorizations of the Company's management and directors; and (iii) provide reasonable assurance regarding prevention or timely detection of unauthorized acquisition, use, or disposition of the Company's assets that could have a material effect on the financial statements.

Because of its inherent limitations, internal control over financial reporting may not prevent or detect misstatements. Therefore, even those systems determined to be effective can provide only reasonable assurance with respect to financial statement preparation and presentation, 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.

Our management, including our principal financial officer, assessed the effectiveness of the Company's internal control over financial reporting as of May 31, 2024 in accordance with the framework in *Internal Control – Integrated Framework* issued by the Committee of Sponsoring Organizations of the Treadway Commission (the "**COSO Framework**").

Based on this assessment, Management concluded that certain aspects of the Company's internal control over financial reporting as of May 31, 2024, were not effective.

A material weakness, as defined in standards established pursuant to the Sarbanes-Oxley Act, is a deficiency or combination of deficiencies in internal controls over financial reporting such that there is a reasonable possibility that a material misstatement for our annual or interim consolidated financial statements will not be prevented or detected on a timely basis.

The ineffectiveness of our internal control over financial reporting was due to the following material weakness, which also existed as of February 29, 2024:

- We have limited segregation of duties and oversight of work performed as well as lack of compensating controls in the Company's finance and accounting functions due to limited personnel. As a result, segregation of all conflicting duties may not always be possible and may not be economically feasible. Furthermore, we cannot provide reasonable assurance that receipts and expenditures are being made only in accordance with management and director authorization. However, to the extent possible, the initiation of transactions, the custody of assets and the recording of transactions should be performed by separate individuals.

**Management's Plan to Remediate the Material Weaknesses:**

Management has taken significant steps towards remediation of these material weaknesses in 2023 and has been implementing and continues to implement measures designed to ensure that control deficiencies contributing to the material weakness are remediated, such that these controls are designed, implemented, validated, and operating effectively. The remediation actions include:

- Management has documented a complete set of controls incorporating segregation of duties, separate individuals performing and reviewing controls, and proper authorization and segregation of duties around payments and expenditures in 2023. Management has implemented most of these controls in calendar year 2023 and will complete implementation in calendar year 2024.
- Management has implemented corporate governance policies and charters that will further align the Company's governance procedures with the requirements noted in the Sarbanes-Oxley Act, including a Codes of Business Conduct and Ethics, which reflects the overall corporate principles, policies and values that provides overall guidance for our control procedures.

Notwithstanding the assessment that our ICFR was not effective as of May 31, 2024 and that there is a material weaknesses as identified herein, we believe that our consolidated financial statements contained in this Quarterly Report fairly present our financial position, results of operations and cash flows for the period covered thereby in all material respects. We are committed to continuing to improve our internal control processes and we are undertaking measures to remediate the material weakness we have identified and generally strengthen our internal control over financial reporting. We will also continue to further review, optimize, and enhance our financial reporting controls and procedures. This material weakness will not be considered remediated until the applicable remediated controls operate for a sufficient period of time and management has concluded, through testing, that these controls are operating effectively.

***Changes in internal control over financial reporting***

Except for the remediation procedures being implemented by the Company as described above, there have been no other changes in our internal control over financial reporting (as defined in Rules 13a-15(f) and 15d-15(f) under the Exchange Act) that occurred during our fiscal quarter ended May 31, 2024, that have materially affected, or are reasonably likely to materially affect, our internal control over financial reporting.

## PART II – OTHER INFORMATION

### ITEM 1 – LEGAL PROCEEDINGS

The Company is not a party to any pending legal proceeding. We are not aware of any pending legal proceeding to which any of our officers, directors, affiliates or any beneficial holders of 5% or more of our voting securities are adverse to us or have a material interest adverse to us.

### ITEM 1A – RISK FACTORS

*In addition to the information contained in our Annual Report on Form 10-K for the fiscal year ended February 29, 2024, and this Quarterly Report on Form 10-Q, we have identified the following material risks and uncertainties which reflect our outlook and conditions known to us as of the date of this Quarterly Report. These material risks and uncertainties should be carefully reviewed by our stockholders and any potential investors in evaluating the Company, our business and the market value of our common stock. Furthermore, any one of these material risks and uncertainties has the potential to cause actual results, performance, achievements or events to be materially different from any future results, performance, achievements or events implied, suggested or expressed by any forward-looking statements made by us or by persons acting on our behalf. Refer to “Cautionary Note Regarding Forward-looking Statements” as disclosed in our Annual Report on Form 10-K for the fiscal year ended February 29, 2024.*

*There is no assurance that we will be successful in preventing the material adverse effects that any one or more of the following material risks and uncertainties may cause on our business, prospects, financial condition and operating results, which may result in a significant decrease in the market price of our common stock. Furthermore, there is no assurance that these material risks and uncertainties represent a complete list of the material risks and uncertainties facing us. There may be additional risks and uncertainties of a material nature that, as of the date of this Quarterly Report, we are unaware of or that we consider immaterial that may become material in the future, any one or more of which may result in a material adverse effect on us. You could lose all or a significant portion of your investment due to any one of these material risks and uncertainties.*

#### Risks Related to the Business

*We have a limited operating history and, as a result, our past results may not be indicative of future operating performance.*

We have a limited operating history, which makes it difficult to forecast our future results. You should not rely on our past results of operations as indicators of future performance. You should consider and evaluate our prospects in light of the risks and uncertainty frequently encountered by companies like ours.

If we fail to address the risks and difficulties that we face, including those described elsewhere in this “Risk Factors” section, our business, financial condition and results of operations could be adversely affected. Further, because we have limited historical financial data and operate in an evolving market, any predictions about our future revenue and expenses may not be as accurate as they would be if we had a longer operating history or operated in a more predictable market. We have encountered in the past, and will encounter in the future, risks and uncertainties frequently experienced by growing companies with limited operating histories in rapidly changing industries. If our assumptions regarding these risks and uncertainties are incorrect or change, or if we do not address these risks successfully, our results of operations could differ materially from our expectations and our business, financial condition and results of operations could be adversely affected.

*We have a history of net losses and we may not be able to achieve or maintain profitability in the future.*

For all annual periods of our operating history we have experienced net losses. We generated a net loss of approximately \$1.65 million during the three-month period ended May 31, 2024 and net losses of approximately \$3.8 million, \$7.5 million and \$4.9 million for the years ended February 29, 2024, 2023 and 2022, respectively. At May 31, 2024 and February 29, 2024, we had an accumulated deficit of approximately \$30.1 million and \$28.4 million, respectively. We have not achieved profitability, and we may not realize sufficient revenue to achieve profitability in future periods. Our expenses will likely increase in the future as we develop and launch new offerings and platform features, expand in existing and new markets, increase our sales and marketing efforts and continue to invest in our platform. These efforts may be more costly than we expect and may not result in increased revenue or growth in our business. If we are unable to generate adequate revenue growth and manage our expenses, we may continue to incur significant losses in the future and may not be able to achieve or maintain profitability.

***If we fail to effectively manage our growth, our business, financial condition and results of operations could be adversely affected.***

We are currently experiencing growth in our business. This expansion increases the complexity of our business and has placed, and will continue to place, strain on our management, personnel, operations, systems, technical performance, financial resources and internal financial control and reporting functions. Our ability to manage our growth effectively and to integrate new employees, technologies and acquisitions into our existing business will require us to continue to expand our operational and financial infrastructure and to continue to retain, attract, train, motivate and manage employees. Continued growth could strain our ability to develop and improve our operational, financial and management controls, enhance our reporting systems and procedures, recruit, train and retain highly skilled personnel and maintain user satisfaction. Additionally, if we do not effectively manage the growth of our business and operations, the quality of our offerings could suffer, which could negatively affect our reputation and brand, business, financial condition and results of operations.

***We depend on our key personnel and other highly skilled personnel, and if we fail to attract, retain, motivate or integrate our personnel, our business, financial condition and results of operations could be adversely affected.***

Our success depends in part on the continued service of our founders, senior management team, key technical employees and other highly skilled personnel and on our ability to identify, hire, develop, motivate, retain and integrate highly qualified personnel for all areas of our organization. We may not be successful in attracting and retaining qualified personnel to fulfill our current or future needs. Our competitors may be successful in recruiting and hiring members of our management team or other key employees, and it may be difficult for us to find suitable replacements on a timely basis, on competitive terms or at all. If we are unable to attract and retain the necessary personnel, particularly in critical areas of our business, we may not achieve our strategic goals.

***Our concentration of earnings from two telecommunications companies may have a material adverse effect on our financial condition and results of operations.***

We currently derive a substantial amount of our total revenue through contracts secured with China Unicom and China Mobile. If we were to lose the business of one or both of these mobile telecommunications companies, if either were to fail to fulfill its obligations to us, if either were to experience difficulty in paying rebates to us on a timely basis, if either negotiated lower pricing terms, or if either increased the number of licensed payment portals it permits to process its payments, it could have a material adverse effect on our competitive position, business, financial condition, results of operations and cash flows. Additionally, we cannot guarantee that the volume of revenue we earn from China Unicom and China Mobile will remain consistent going forward. Any substantial change in our relationships with either China Unicom or China Mobile, or both, whether due to actions by our competitors, regulatory authorities, industry factors or otherwise, could have a material adverse effect on our business, financial condition and results of operations.

***Any actual or perceived security or privacy breach could interrupt our operations, harm our brand and adversely affect our reputation, brand, business, financial condition and results of operations.***

Our business involves the processing and transmission of our users' personal and other sensitive data. Because techniques used to obtain unauthorized access to or to sabotage information systems change frequently and may not be known until launched against us, we may be unable to anticipate or prevent these attacks. Unauthorized parties may in the future gain access to our systems or facilities through various means, including gaining unauthorized access into our systems or facilities or those of our service providers, partners or users on our platform, or attempting to fraudulently induce our employees, service providers, partners, users or others into disclosing names, passwords, payment information or other sensitive information, which may in turn be used to access our information technology systems, or attempting to fraudulently induce our employees, partners or others into manipulating payment information, resulting in the fraudulent transfer of funds to criminal actors. In addition, users on our platform could have vulnerabilities on their own mobile devices that are entirely unrelated to our systems and platform but could mistakenly attribute their own vulnerabilities to us. Further, breaches experienced by other companies may also be leveraged against us. For example, credential stuffing attacks are becoming increasingly common and sophisticated actors can mask their attacks, making them increasingly difficult to identify and prevent. Certain efforts may be state-sponsored or supported by significant financial and technological resources, making them even more difficult to detect.

Although we have developed systems and processes that are designed to protect our users' data, prevent data loss and prevent other security breaches, these security measures cannot guarantee security. Our information technology and infrastructure may be vulnerable to cyberattacks or security breaches; also, employee error, malfeasance or other errors in the storage, use or transmission of personal information could result in an actual or perceived privacy or security breach or other security incident.

Any actual or perceived breach of privacy or security could interrupt our operations, result in our platform being unavailable, result in loss or improper disclosure of data, result in fraudulent transfer of funds, harm our reputation and brand, damage our relationships with third-party partners, result in significant legal, regulatory and financial exposure and lead to loss of confidence in, or decreased use of, our platform, any of which could adversely affect our business, financial condition and results of operations. Any breach of privacy or security impacting any entities with which we share or disclose data (including, for example, our third-party providers) could have similar effects.

Additionally, defending against claims or litigation based on any security breach or incident, regardless of their merit, could be costly and divert management's attention. We cannot be certain that our insurance coverage will be adequate for data handling or data security liabilities actually incurred, that insurance will continue to be available to us on commercially reasonable terms, or at all, or that any insurer will not deny coverage as to any future claim. The successful assertion of one or more large claims against us that exceed available insurance coverage, or the occurrence of changes in our insurance policies, including premium increases or the imposition of large deductible or co-insurance requirements, could have an adverse effect on our reputation, brand, business, financial condition and results of operations.

***Systems failures and resulting interruptions in the availability of our platform or offerings could adversely affect our business, financial condition and results of operations.***

Our systems, or those of third parties upon which we rely, may experience service interruptions or degradation because of hardware and software defects or malfunctions, distributed denial-of-service and other cyberattacks, human error, earthquakes, hurricanes, floods, fires, natural disasters, power losses, disruptions in telecommunications services, fraud, military or political conflicts, terrorist attacks, computer viruses, ransomware, malware or other events. Our systems also may be subject to break-ins, sabotage, theft and intentional acts of vandalism, including by our own employees. Some of our systems are not fully redundant and our disaster recovery planning may not be sufficient for all eventualities. Our business interruption insurance may not be sufficient to cover all of our losses that may result from interruptions in our service as a result of systems failures and similar events.

We have not experienced any system failures or other events or conditions that have interrupted the availability or reduced or effected the speed or functionality of our offerings. These events, were they to occur in the future, could adversely affect our business, reputation, results of operations and financial condition.

***The successful operation of our business depends upon the performance and reliability of Internet, mobile, and other infrastructures that are not under our control.***

Our business depends on the performance and reliability of Internet, mobile and other infrastructures that are not under our control. Disruptions in Internet infrastructure or the failure of telecommunications network operators to provide us with the bandwidth we need to provide our services and offerings could interfere with the speed and availability of our platform. If our platform is unavailable when platform users attempt to access it, or if our platform does not load as quickly as platform users expect, platform users may not return to our platform as often in the future, or at all, and may use our competitors' products or offerings more often. In addition, we have no control over the costs of the services provided by national telecommunications operators. If mobile Internet access fees or other charges to Internet users increase, consumer traffic may decrease, which may in turn cause our revenue to significantly decrease.

Our business depends on the efficient and uninterrupted operation of mobile communications systems. The occurrence of an unanticipated problem, such as a power outage, telecommunications delay or failure, security breach or computer virus could result in delays or interruptions to our services, offerings and platform, as well as business interruptions for us and platform users. Furthermore, foreign governments may leverage their ability to shut down directed services, and local governments may shut down our platform at the routing level. Any of these events could damage our reputation, significantly disrupt our operations, and subject us to liability, which could adversely affect our business, financial condition and operating results. We have invested significant resources to develop new products to mitigate the impact of potential interruptions to mobile communications systems, which can be used by consumers in territories where mobile communications systems are less efficient. However, these products may ultimately be unsuccessful.

***We may be subject to claims, lawsuits, government investigations and other proceedings that may adversely affect our business, financial condition and results of operations.***

We may be subject to claims, lawsuits, arbitration proceedings, government investigations and other legal and regulatory proceedings as our business grows and as we deploy new offerings, including proceedings related to our products or our acquisitions, securities issuances or business practices. The results of any such claims, lawsuits, arbitration proceedings, government investigations or other legal or regulatory proceedings cannot be predicted with certainty. Any claims against us, whether meritorious or not, could be time-consuming, result in costly litigation, be harmful to our reputation, require significant management attention and divert significant resources. Determining reserves for litigation is a complex and fact-intensive process that requires significant subjective judgment and speculation. It is possible that such proceedings could result in substantial damages, settlement costs, fines and penalties that could adversely affect our business, financial condition and results of operations. These proceedings could also result in harm to our reputation and brand, sanctions, consent decrees, injunctions or other orders requiring a change in our business practices. Any of these consequences could adversely affect our business, financial condition and results of operations. Furthermore, under certain circumstances, we have contractual and other legal obligations to indemnify and to incur legal expenses on behalf of our business and commercial partners and current and former directors and officers.

***We may require additional funding to support our business.***

To grow our business, FingerMotion currently looks to take advantage of the immense growth in the total variety of mobile services provided in China. On February 1, 2022, the Xinhua News Agency reported that the combined business revenue in the telecom sector rose 8% year on year to about USD232.43 billion in 2021, with the growth rate up 4.1 percentage points from 2020, according to the PRC Ministry of Industry and Information Technology. For the Company to continue to grow, the deposit with the Telecoms needs to increase, as most of the revenue we process is dependent on the size of the deposit we have with each Telecom. We will likely need to raise additional capital to materially increase the amounts of these deposits. If we raise additional funds through the issuance of equity, equity-linked or debt securities, those securities may have rights, preferences or privileges senior to those of our common stock, and our existing stockholders may experience dilution. Any debt financing secured 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. We cannot be certain that additional funding will be available to us on favorable terms, or at all. If we are unable to obtain adequate funding or funding on terms satisfactory to us, when we require it, our ability to continue to support our business growth and to respond to business challenges could be significantly limited, and our business, financial condition and results of operations could be adversely affected.

***Claims by others that we infringed their proprietary technology or other intellectual property rights could harm our business.***

Companies in the Internet and technology industries are frequently subject to litigation based on allegations of infringement or other violations of intellectual property rights. In addition, certain companies and rights holders seek to enforce and monetize patents or other intellectual property rights they own, have purchased or otherwise obtained. As we gain a public profile and the number of competitors in our market increases, the possibility of intellectual property rights claims against us grows. From time to time, third parties may assert claims of infringement of intellectual property rights against us. Many potential litigants, including some of our competitors and patent-holding companies, have the ability to dedicate substantial resources to assert their intellectual property rights. Any claim of infringement by a third party, even those without merit, could cause us to incur substantial costs defending against the claim, could distract our management from our business and could require us to cease use of such intellectual property. Furthermore, because of the substantial amount of discovery required in connection with intellectual property litigation, we risk compromising our confidential information during this type of litigation. We may be required to pay substantial damages, royalties or other fees in connection with a claimant securing a judgment against us, we may be subject to an injunction or other restrictions that prevent us from using or distributing our intellectual property, or we may agree to a settlement that prevents us from distributing our offerings or a portion thereof, which could adversely affect our business, financial condition and results of operations.

With respect to any intellectual property rights claim, we may have to seek out a license to continue operations found to be in violation of such rights, which may not be available on favorable or commercially reasonable terms and may significantly increase our operating expenses. Some licenses may be non-exclusive, and therefore our competitors may have access to the same technology licensed to us. If a third party does not offer us a license to its intellectual property on reasonable terms, or at all, we may be required to develop alternative, non-infringing technology, which could require significant time (during which we would be unable to continue to offer our affected offerings), effort and expense and may ultimately not be successful. Any of these events could adversely affect our business, financial condition and results of operations.

## **Risks Related to Our Securities**

### ***Our stock has limited liquidity.***

Our common stock began trading on the Nasdaq Capital Market on December 28, 2021, and before that it traded on the OTCQX operated by OTC Markets Group Inc. Trading volume in our shares may be sporadic and the price could experience volatility. If adverse market conditions exist, you may have difficulty selling your shares.

The market price of our common stock may fluctuate significantly in response to numerous factors, some of which are beyond our control, including the following:

- actual or anticipated fluctuations in our operating results;
- changes in financial estimates by securities analysts or our failure to perform in line with such estimates;
- changes in market valuations of other companies, particularly those that market services such as ours;
- announcements by us or our competitors of significant innovations, acquisitions, strategic partnerships, joint ventures or capital commitments;
- introduction of product enhancements that reduce the need for our products;
- departure of key personnel; and
- changes in overall global market sentiments and economy trends

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

We have never declared nor paid cash dividends on our capital stock. We currently intend to retain any future earnings to finance the operation and expansion of our business, and we do not expect to declare or pay any cash dividends in the foreseeable future. As a result, stockholders must rely on sales of their common stock after price appreciation as the only way to realize any future gains on their investment.

***If securities or industry analysts do not publish research or publish inaccurate or unfavorable research about our business, the market price and trading volume of our common stock could decline.***

The trading market for our common stock may depend in part on the research and reports that securities or industry analysts publish about us, our business, our market or our competition. The analysts' estimates are based upon their own opinions and are often different from our estimates or expectations. If one or more of the analysts who cover us downgrade our common stock, provide a more favorable recommendation about our competitors or publish inaccurate or unfavorable research about our business, the price of our securities would likely decline. If few securities analysts commence coverage of us, or if one or more of these analysts cease coverage of us or fail to publish reports on us regularly, demand for our securities could decrease, which might cause the price and trading volume of our common stock to decline.

***The continued sale of our equity securities will dilute the ownership percentage of our existing shareholders and may decrease the market price for our Common Shares.***

Our Certificate of Incorporation, as amended, authorize the issuance of up to 200,000,000 Common Shares and up to 1,000,000 shares of preferred stock ("**Preferred Shares**"). Our Board of Directors has the authority to issue additional shares of our capital stock to provide additional financing in the future and designate the rights of the preferred shares, which may include voting, dividend, distribution or other rights that are preferential to those held by the common stockholders. The issuance of any such common or preferred shares may result in a reduction of the book value or market price of our outstanding common shares. To grow our business substantially, we will likely have to issue additional equity securities to obtain working capital to deposit with the telecommunications companies for which we process mobile recharge payments. Our efforts to fund our intended business plans will therefore result in dilution to our existing stockholders. If we do issue any such additional common shares, such issuance also will cause a reduction in the proportionate ownership and voting power of all other stockholders. As a result of such dilution, if you acquire common shares your proportionate ownership interest and voting power could be decreased. Furthermore, any such issuances could result in a change of control or a reduction in the market price for our common shares.

***If we fail to maintain an effective system of disclosure controls and internal control over financial reporting, our ability to produce timely and accurate financial statements or comply with applicable regulations could be impaired.***

As a public company, we are subject to the reporting requirements of the Exchange Act and the Sarbanes-Oxley Act of 2002 (the "**SOA**"). The SOA requires, among other things, that we maintain effective disclosure controls and procedures and internal control over financial reporting. We are continuing to develop and refine our disclosure controls and other procedures that are designed to ensure that information required to be disclosed by us in the reports that we will file with the SEC is recorded, processed, summarized and reported within the time periods specified in SEC rules and forms and that information required to be disclosed in reports under the Exchange Act is accumulated and communicated to our principal executive and financial officers. We are also continuing to improve our internal control over financial reporting. We have expended, and anticipate that we will continue to expend, significant resources in order to maintain and improve the effectiveness of our disclosure controls and procedures and internal control over financial reporting.

Our current controls and any new controls that we develop may become inadequate because of changes in the conditions in our business. Further, weaknesses in our disclosure controls or our internal control over financial reporting may be discovered in the future. Any failure to develop or maintain effective controls, or any difficulties encountered in their implementation or improvement, could harm our results of operations or cause us to fail to meet our reporting obligations and may result in a restatement of our financial statements for prior periods. Any failure to implement and maintain effective internal control over financial reporting could also adversely affect the results of periodic management evaluations and annual independent registered public accounting firm attestation reports regarding the effectiveness of our internal control over financial reporting that we will eventually be required to include in our periodic reports that will be filed with the SEC. Ineffective disclosure controls and procedures and internal control over financial reporting could also cause investors to lose confidence in our reported financial and other information, which would likely adversely affect the market price of our common stock.



***Financial Industry Regulatory Authority (“FINRA”) sales practice requirements may also limit a stockholder’s ability to buy and sell our shares of common stock, which could depress the price of our shares of common stock.***

FINRA rules require broker-dealers to have reasonable grounds for believing that the investment is suitable for a customer before recommending that investment to the customer. Prior to recommending speculative low-priced securities to their non-institutional customers, broker-dealers must make reasonable efforts to obtain information about the customer’s financial status, tax status, investment objectives, and other information. Under interpretations of these rules, FINRA believes that there is a high probability that speculative low-priced securities will not be suitable for at least some customers. Thus, if our shares of common stock become speculative low-priced securities, the FINRA requirements make it more difficult for broker-dealers to recommend that their customers buy our shares of common stock, which may limit your ability to buy and sell our shares of common stock, have an adverse effect on the market for our shares of common stock, and thereby depress our price per share of common stock.

***Our shares of common stock have been thinly traded, and you may be unable to sell at or near ask prices or at all if you need to sell your shares of common stock to raise money or otherwise desire to liquidate your shares.***

Until December 28, 2021, our shares of common stock were quoted on the OTCQB/QX where they were “thinly-traded”, meaning that the number of persons interested in purchasing our shares of common stock at or near bid prices at any given time was relatively small or non-existent. Since we listed on Nasdaq on December 28, 2021, the volume of our shares of common stock traded has increased, but that volume could decrease until we are thinly-traded again. That could occur due to a number of factors, including that we are relatively unknown to stock analysts, stock brokers, institutional investors and others in the investment community that generate or influence sales volume, and that even if we came to the attention of such persons, they tend to be risk-averse and might be reluctant to follow an unproven company such as ours or purchase or recommend the purchase of our shares of common stock until such time as we became more seasoned. As a consequence, there may be periods of several days or more when trading activity in our shares of common stock is minimal or non-existent, as compared to a seasoned issuer which has a large and steady volume of trading activity that will generally support continuous sales without an adverse effect on share price. Broad or active public trading market for our shares of common stock may not develop or be sustained.

## **Risks Related to the VIE Agreements**

***The PRC government may determine that the VIE Agreements are not in compliance with applicable PRC laws, rules and regulations.***

JiuGe Management manages and operates the mobile data business through JiuGe Technology pursuant to the rights its holds under the VIE Agreements. Almost all economic benefits and risks arising from JiuGe Technology’s operations are transferred to JiuGe Management under these agreements.

There are risks involved with the operation of our business in reliance on the VIE Agreements, including the risk that the VIE Agreements may be determined by PRC regulators or courts to be unenforceable. Our PRC counsel has advised us that the VIE Agreements are binding and enforceable under PRC law, but has further advised that if the VIE Agreements were for any reason determined to be in breach of any existing or future PRC laws or regulations, the relevant regulatory authorities would have broad discretion in dealing with such breach, including:

- imposing economic penalties;
- discontinuing or restricting the operations of JiuGe Technology or JiuGe Management;
- imposing conditions or requirements in respect of the VIE Agreements with which JiuGe Technology or JiuGe Management may not be able to comply;
- requiring our company to restructure the relevant ownership structure or operations;

- taking other regulatory or enforcement actions that could adversely affect our company's business; and
- revoking the business licenses and/or the licenses or certificates of JiuGe Management, and/or voiding the VIE Agreements.

Any of these actions could adversely affect our ability to manage, operate and gain the financial benefits of JiuGe Technology, which would have a material adverse impact on our business, financial condition and results of operations. Furthermore, if the PRC government determines that the contractual arrangements constituting part of our VIE structure do not comply with PRC regulations, or if regulations change or are interpreted differently in the future, we may be unable to assert our contractual rights over the assets of our VIE, and our Common Shares may decline in value or become worthless.

***Our ability to manage and operate JiuGe Technology under the VIE Agreements may not be as effective as direct ownership.***

We conduct our mobile data business in the PRC and generate virtually all of our revenues through the VIE Agreements. Our plans for future growth are based substantially on growing the operations of JiuGe Technology. However, the VIE Agreements may not be as effective in providing us with control over JiuGe Technology as direct ownership. Under the current VIE arrangements, as a legal matter, if JiuGe Technology fails to perform its obligations under these contractual arrangements, we may have to (i) incur substantial costs and resources to enforce such arrangements, and (ii) rely on legal remedies under PRC law, which we cannot be sure would be effective. Therefore, if we are unable to effectively control JiuGe Technology, it may have an adverse effect on our ability to achieve our business objectives and grow our revenues.

***The VIE Agreements have never been challenged or recognized in court for the time being, the PRC government may determine that the VIE Agreements are not in compliance with applicable PRC laws, rules and regulations.***

The VIE Agreements are governed by the PRC law and provide for the resolution of disputes through arbitral proceedings pursuant to PRC law. If JiuGe Technology or its shareholders fail to perform the obligations under the VIE Agreements, we would be required to resort to legal remedies available under PRC law, including seeking specific performance or injunctive relief, or claiming damages. We cannot be sure that such remedies would provide us with effective means of causing JiuGe Technology to meet its obligations or recovering any losses or damages as a result of non-performance. Further, the legal environment in China is not as developed as in other jurisdictions. Uncertainties in the application of various laws, rules, regulations or policies in PRC legal system could limit our liability to enforce the VIE Agreements and protect our interests.

***The payment arrangement under the VIE Agreements may be challenged by the PRC tax authorities.***

We generate our revenues through the payments we receive pursuant to the VIE Agreements. We could face adverse tax consequences if the PRC tax authorities determine that the VIE Agreements were not entered into based on arm's length negotiations. For example, PRC tax authorities may adjust our income and expenses for PRC tax purposes which could result in our being subject to higher tax liability or cause other adverse financial consequences.

***Shareholders of JiuGe Technology have potential conflicts of interest with our Company which may adversely affect our business.***

Li Li is the legal representative and general manager, and also a shareholder of JiuGe Technology. There could be conflicts that arise from time to time between our interests and the interests of Ms. Li. There could also be conflicts that arise between us and JiuGe Technology that would require our shareholders and JiuGe Technology's shareholders to vote on corporate actions necessary to resolve the conflict. There can be no assurance in any such circumstances that Ms. Li will vote her shares in our best interest or otherwise act in the best interests of our company. If Ms. Li fails to act in our best interests, our operating performance and future growth could be adversely affected.

***We rely on the approval certificates and business license held by JiuGe Management and any deterioration of the relationship between JiuGe Management and JiuGe Technology could materially and adversely affect our business operations.***

We operate our mobile data business in China on the basis of the approval certificates, business license and other requisite licenses held by JiuGe Management and JiuGe Technology. There is no assurance that JiuGe Management and JiuGe Technology will be able to renew their licenses or certificates when their terms expire with substantially similar terms as the ones they currently hold.

Further, our relationship with JiuGe Technology is governed by the VIE Agreements that are intended to provide us with effective control over the business operations of JiuGe Technology. However, the VIE Agreements may not be effective in providing control over the application for and maintenance of the licenses required for our business operations. JiuGe Technology could violate the VIE Agreements, go bankrupt, suffer from difficulties in its business or otherwise become unable to perform its obligations under the VIE Agreements and, as a result, our operations, reputations and business could be severely harmed.

***If JiuGe Management exercises the purchase option it holds over JiuGe Technology's share capital pursuant to the VIE Agreements, the payment of the purchase price could materially and adversely affect our financial position.***

Under the VIE Agreements, JiuGe Technology's shareholders have granted JiuGe Management an option for the maximum period of time permitted by law to purchase all of the equity interest in JiuGe Technology at a price equal to one dollar or the lowest applicable price allowable by PRC laws and regulations. As JiuGe Technology is already our contractually controlled affiliate, JiuGe Management's exercising of the option would not bring immediate benefits to our company, and payment of the purchase prices could adversely affect our financial position.

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

***Changes in China's political or economic situation could harm us and our operating results.***

Economic reforms adopted by the Chinese government have had a positive effect on the economic development of the country, but the government could change these economic reforms or any of the legal systems at any time. This could either benefit or damage our operations and profitability. Some of the things that could have this effect are:

- Level of government involvement in the economy;
- Control of foreign exchange;
- Methods of allocating resources;
- Balance of payments position;
- International trade restrictions; and
- International conflict.

The Chinese economy differs from the economies of most countries belonging to the Organization for Economic Cooperation and Development (the "OECD"), in many ways. For example, state-owned enterprises still constitute a large portion of the Chinese economy and weak corporate governance and a lack of flexible currency exchange policy still prevail in China. As a result of these differences, we may not develop in the same way or at the same rate as might be expected if the Chinese economy was similar to those of the OECD member countries.

***Uncertainties with respect to the PRC legal system could limit the legal protections available to you and us.***

We conduct substantially all of our business through our operating subsidiary and affiliate in the PRC. Our principal operating subsidiary and affiliate, JiuGe Management and JiuGe Technology, are subject to laws and regulations applicable to foreign investments in China and, in particular, laws applicable to foreign-invested enterprises. The PRC legal system is based on written statutes, and prior court decisions may be cited for reference but have limited precedential value. Since 1979, a series of new PRC laws and regulations have significantly enhanced the protections afforded to various forms of foreign investments in China. However, since the PRC legal system continues to evolve rapidly, the interpretations of many laws, regulations and rules are not always uniform and enforcement of these laws, regulations and rules involves uncertainties, which may limit legal protections available to you and us. In addition, any litigation in China may be protracted and result in substantial costs and diversion of resources and management attention. In addition, most of our executive officers and all of our directors are not residents of the United States, and substantially all the assets of these persons are located outside the United States. As a result, it could be difficult for investors to effect service of process in the United States or to enforce a judgment obtained in the United States against our Chinese operations, subsidiary and affiliate.

***The current tensions in international trade and rising political tensions, particularly between the United States and China, may adversely impact our business, financial condition, and results of operations.***

Recently there have been heightened tensions in international economic relations, such as the one between the United States and China. Political tensions between the United States and China have escalated due to, among other things, trade disputes, the COVID-19 outbreak, sanctions imposed by the U.S. Department of Treasury on certain officials of the Hong Kong Special Administrative Region and the PRC central government and the executive orders issued by the U.S. government in November 2020 that prohibit certain transactions with certain China-based companies and their respective subsidiaries. Rising political tensions could reduce levels of trade, investments, technological exchanges, and other economic activities between the two major economies. Such tensions between the United States and China, and any escalation thereof, may have a negative impact on the general, economic, political, and social conditions in China and, in turn, adversely impacting our business, financial condition, and results of operations. Regulations were introduced which includes but not limited to Article 177 of the PRC Securities Law which states that overseas securities regulatory authorities shall not carry out an investigation and evidence collection activities directly in China without the consent of the securities regulatory authority of the State Council and the relevant State Council department(s). It further defines that no organization or individual shall provide the documents and materials relating to securities business activities to overseas parties arbitrarily. With this regulation in force, it may result in delays by the Company to fulfill any request to provide relevant documents or materials by the regulatory authorities or in the worst-case scenario that the Company would not be able to fulfill the request if the approval from the regulatory authority of the State Council and the relevant State Council department(s) were rejected.

***You may have difficulty enforcing judgments against us.***

We are a Delaware holding company, but Finger Motion (CN) Limited is a Hong Kong company, and our principal operating affiliate and subsidiary, JiuGe Technology and JiuGe Management, are located in the PRC. Most of our assets are located outside the United States and most of our current operations are conducted in the PRC. In addition, all of our directors and officers are nationals and residents of countries other than the United States. A substantial portion of the assets of these persons is located outside the United States. As a result, it may be difficult for you to effect service of process within the United States upon these persons. It may also be difficult for you to enforce in U.S. courts judgments predicated on the civil liability provisions of the U.S. federal securities laws against us and our officers and directors, all of whom are not residents in the United States and the substantial majority of whose assets are located outside the United States. In addition, there is uncertainty as to whether the courts of the PRC would recognize or enforce judgments of U.S. courts. The recognition and enforcement of foreign judgments are provided for under the PRC Civil Procedures Law. Courts in China may recognize and enforce foreign judgments in accordance with the requirements of the PRC Civil Procedures Law based on treaties between China and the country where the judgment is made or on reciprocity between jurisdictions. China does not have any treaties or other arrangements that provide for the reciprocal recognition and enforcement of foreign judgments with the United States. In addition, according to the PRC Civil Procedures Law, courts in the PRC will not enforce a foreign judgment against us or our directors and officers if they decide that the judgment violates basic principles of PRC law or national sovereignty, security or the public interest. Therefore, it is uncertain whether a PRC court would enforce a judgment rendered by a court in the United States.

***The PRC government exerts substantial influence over the manner in which we must conduct our business activities.***

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, import and export tariffs, environmental regulations, land use rights, property and other matters. We believe that our operations in China are in material compliance with all applicable legal and regulatory requirements. However, the central or local governments of the jurisdictions in which we operate 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 China or particular regions thereof and could require us to divest ourselves of any interest we then hold in Chinese properties or joint ventures.

***The PRC government may exert more oversight and control over offerings that are conducted overseas and/or foreign investment in China-based issuers.***

Recent statements by the PRC government indicate an intent to take actions to exert more oversight and control over offerings that are conducted overseas and/or foreign investment in China-based issuers. On February 17, 2023, the CSRC promulgated Trial Administrative Measures of Overseas Securities Offering and Listing by Domestic Companies (the “**Overseas Listing Trial Measures**”) and five relevant guidelines, which became effective on March 31, 2023. The Overseas Listing Trial Measures regulate both direct and indirect overseas offering and listing of PRC domestic companies’ securities by adopting a filing-based regulatory regime. According to the Overseas Listing Trial Measures, if the issuer meets both the following conditions, the overseas securities offering and listing conducted by such issuer will be determined as indirect overseas offering, which shall be subject to the filing procedure set forth under the Overseas Listing Trial Measures: (i) 50% or more of the issuer’s operating revenue, total profit, total assets or net assets as documented in its audited consolidated financial statements for the most recent accounting year is accounted for by domestic companies; and (ii) the main parts of the issuer’s business activities are conducted in mainland China, or its main places of business are located in mainland China, or the senior managers in charge of its business operations and management are mostly Chinese citizens or domiciled in mainland China. Where an abovementioned issuer submits an application for an initial public offering to competent overseas regulators, such issuer shall file with the CSRC within three business days after such application is submitted. Where a domestic company fails to fulfill filing procedure or in violation of the provisions as stipulated above, in respect of its overseas offering and listing, the CSRC shall order rectification, issue warnings to such domestic company, and impose a fine ranging from RMB1,000,000 to RMB10,000,000. Also the directly liable persons and actual controllers of the domestic company that organize or instruct the aforementioned violations shall be warned and/or imposed fines.

Also on February 17, 2023, the CSRC also held a press conference for the release of the Overseas Listing Trial Measures and issued the Notice on Administration for the Filing of Overseas Offering and Listing by Domestic Companies, which, among others, clarifies that the domestic companies that have already been listed overseas on or before the effective date of the Overseas Listing Trial Measures (March 31, 2023) shall be deemed as “stock enterprises”. Stock enterprises are not required to complete the filing procedures immediately, and they shall be required to file with the CSRC when subsequent matters such as refinancing are involved.

If we offer new securities in the future, we will be required to file with the CSRC, which could significantly limit or completely hinder our ability to offer or continue to offer securities to investors and could cause the value of our securities to significantly decline or be worthless.

***Future inflation in China may inhibit our ability to conduct business in China.***

In recent years, the Chinese economy has experienced periods of rapid expansion and highly fluctuating rates of inflation. During the past ten years, the rate of inflation in China has been as high as 4.5% and as low as 0.2%. These factors have led to the adoption by the Chinese government, from time to time, of various corrective measures designed to restrict the availability of credit or regulate growth and contain inflation. High inflation may in the future cause the Chinese government to impose controls on credit and/or prices, or to take other action, which could inhibit economic activity in China, and thereby harm the market for our products and our company.

***Capital outflow policies in the PRC may hamper our ability to remit income to the United States.***

The PRC has adopted currency and capital transfer regulations. These regulations may require that we comply with complex regulations for the movement of capital and as a result we may not be able to remit all income earned and proceeds received in connection with our operations or from the sale of one of our operating subsidiaries to the U.S. or to our shareholders.

***Adverse regulatory developments in China may subject us to additional regulatory review, and additional disclosure requirements and regulatory scrutiny to be adopted by the SEC in response to risks related to recent regulatory developments in China may impose additional compliance requirements for companies like us with significant China-based operations, all of which could increase our compliance costs, subject us to additional disclosure requirements.***

The recent regulatory developments in China, in particular with respect to restrictions on China-based companies raising capital offshore, may lead to additional regulatory review in China over our financing and capital raising activities in the United States. In addition, we may be subject to industry-wide regulations that may be adopted by the relevant PRC authorities, which may have the effect of limiting our service offerings, restricting the scope of our operations in China, or causing the suspension or termination of our business operations in China entirely, all of which will materially and adversely affect our business, financial condition and results of operations. We may have to adjust, modify, or completely change our business operations in response to adverse regulatory changes or policy developments, and we cannot assure you that any remedial action adopted by us can be completed in a timely, cost-efficient, or liability-free manner or at all.

On July 30, 2021, in response to the recent regulatory developments in China and actions adopted by the PRC government, the Chairman of the SEC issued a statement asking the SEC staff to seek additional disclosures from offshore issuers associated with China-based operating companies before their registration statements will be declared effective. On August 1, 2021, the CSRC stated in a statement that it had taken note of the new disclosure requirements announced by the SEC regarding the listings of Chinese companies and the recent regulatory development in China, and that both countries should strengthen communications on regulating China-related issuers. We cannot guarantee that we will not be subject to tightened regulatory review and we could be exposed to government interference in China.

***Compliance with China's new Data Security Law, Measures on Cybersecurity Review (revised draft for public consultation), Personal Information Protection Law (second draft for consultation), regulations and guidelines relating to the multi-level protection scheme and any other future laws and regulations may entail significant expenses and could materially affect our business.***

China has implemented or will implement rules and is considering a number of additional proposals relating to data protection. China's new Data Security Law promulgated by the Standing Committee of the National People's Congress of China in June 2021, or the Data Security Law, took effect in September 2021. The Data Security Law provides that the data processing activities must be conducted based on "data classification and hierarchical protection system" for the purpose of data protection and prohibits entities in China from transferring data stored in China to foreign law enforcement agencies or judicial authorities without prior approval by the Chinese government. As a result of the new Data Security Law, we may need to make adjustments to our data processing practices to comply with this law.

Additionally, China's Cyber Security Law, requires companies to take certain organizational, technical and administrative measures and other necessary measures to ensure the security of their networks and data stored on their networks. Specifically, the Cyber Security Law provides that China adopt a multi-level protection scheme (MLPS), under which network operators are required to perform obligations of security protection to ensure that the network is free from interference, disruption or unauthorized access, and prevent network data from being disclosed, stolen or tampered. Under the MLPS, entities operating information systems must have a thorough assessment of the risks and the conditions of their information and network systems to determine the level to which the entity's information and network systems belong-from the lowest Level 1 to the highest Level 5 pursuant to the Measures for the Graded Protection and the Guidelines for Grading of Classified Protection of Cyber Security. The grading result will determine the set of security protection obligations that entities must comply with. Entities classified as Level 2 or above should report the grade to the relevant government authority for examination and approval.

Recently, the Cyberspace Administration of China (the “CAC”) 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 July 10, 2021, the CAC published a revised draft of the Measures on Cybersecurity Review, expanding the cybersecurity review to data processing operators in possession of personal information of over 1 million users if the operators intend to list their securities in a foreign country.

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 telecommunications sector generally and the Company in particular. China’s regulators may impose penalties for non-compliance ranging from fines or suspension of operations, and this could lead to us delisting from the U.S. stock market.

Also, on November 20, 2021, the National People’s Congress passed the Personal Information Protection Law, which was implemented on November 1, 2021. The law creates a comprehensive set of data privacy and protection requirements that apply to the processing of personal information and expands data protection compliance obligations to cover the processing of personal information of persons by organizations and individuals in China, and the processing of personal information of persons in China outside of China if such processing is for purposes of providing products and services to, or analyzing and evaluating the behavior of, persons in China. The law also proposes that critical information infrastructure operators and personal information processing entities who process personal information meeting a volume threshold to-be-set by Chinese cyberspace regulators are also required to store in China personal information generated or collected in China, and to pass a security assessment administered by Chinese cyberspace regulators for any export of such personal information. Lastly, the draft contains proposals for significant fines for serious violations of up to RMB 50 million or 5% of annual revenues from the prior year.

Interpretation, application and enforcement of these laws, rules and regulations evolve from time to time and their scope may continually change, through new legislation, amendments to existing legislation and changes in enforcement. Compliance with the Cyber Security Law and the Data Security Law could significantly increase the cost to us of providing our service offerings, require significant changes to our operations or even prevent us from providing certain service offerings in jurisdictions in which we currently operate or in which we may operate in the future. Despite our efforts to comply with applicable laws, regulations and other obligations relating to privacy, data protection and information security, it is possible that our practices, offerings or platform could fail to meet all of the requirements imposed on us by the Cyber Security Law, the Data Security Law and/or related implementing regulations. Any failure on our part to comply with such law or regulations or any other obligations relating to privacy, data protection or information security, or any compromise of security that results in unauthorized access, use or release of personally identifiable information or other data, or the perception or allegation that any of the foregoing types of failure or compromise has occurred, could damage our reputation, discourage new and existing counterparties from contracting with us or result in investigations, fines, suspension or other penalties by Chinese government authorities and private claims or litigation, any of which could materially adversely affect our business, financial condition and results of operations. Even if our practices are not subject to legal challenge, the perception of privacy concerns, whether or not valid, may harm our reputation and brand and adversely affect our business, financial condition and results of operations. Moreover, the legal uncertainty created by the Data Security Law and the recent Chinese government actions could materially adversely affect our ability, on favorable terms, to raise capital, including engaging in follow-on offerings of our securities in the U.S. market.

***Restrictions on currency exchange may limit our ability to receive and use our revenues effectively.***

The majority of our revenues will be settled in Chinese Renminbi (RMB), and any future restrictions on currency exchanges may limit our ability to use revenue generated in RMB to fund any future business activities outside China or to make dividend or other payments in U.S. dollars. Although the Chinese government introduced regulations in 1996 to allow greater convertibility of the RMB for current account transactions, significant restrictions still remain, including primarily the restriction that foreign-invested enterprises may only buy, sell or remit foreign currencies after providing valid commercial documents, at those banks in China authorized to conduct foreign exchange business. In addition, conversion of RMB for capital account items, including direct investment and loans, is subject to governmental approval in China, and companies are required to open and maintain separate foreign exchange accounts for capital account items. We cannot be certain that the Chinese regulatory authorities will not impose more stringent restrictions on the convertibility of the RMB.

***Fluctuations in exchange rates could adversely affect our business and the value of our securities.***

The value of our common stock will be indirectly affected by the foreign exchange rate between U.S. dollars and RMB and between those currencies and other currencies in which our sales may be denominated. Appreciation or depreciation in the value of the RMB relative to the U.S. dollar would affect our financial results reported in U.S. dollar terms without giving effect to any underlying change in our business or results of operations. Fluctuations in the exchange rate will also affect the relative value of any dividend we issue that will be exchanged into U.S. dollars as well as earnings from, and the value of, any U.S. dollar-denominated investments we make in the future.

Since July 2005, the RMB is no longer pegged to the U.S. dollar. Although the People's Bank of China regularly intervenes in the foreign exchange market to prevent significant short-term fluctuations in the exchange rate, the RMB may appreciate or depreciate significantly in value against the U.S. dollar in the medium to long term. Moreover, it is possible that in the future PRC authorities may lift restrictions on fluctuations in the RMB exchange rate and lessen intervention in the foreign exchange market.

Very limited hedging transactions are available in China to reduce our exposure to exchange rate fluctuations. To date, we have not entered into any hedging transactions. While we may enter into hedging transactions in the future, the availability and effectiveness of these transactions may be limited, and we may not be able to successfully hedge our exposure at all. In addition, our foreign currency exchange losses may be magnified by PRC exchange control regulations that restrict our ability to convert RMB into foreign currencies.

***Restrictions under PRC law on our PRC subsidiary's ability to make dividends and other distributions could materially and adversely affect our ability to grow, make investments or acquisitions that could benefit our business, pay dividends to our shareholders, and otherwise fund and conduct our businesses.***

Substantially all of our revenue is earned by JiuGe Management, our PRC subsidiary. PRC regulations restrict the ability of our PRC subsidiary to make dividends and other payments to its offshore parent company. PRC legal restrictions permit payments of dividends by our PRC subsidiary only out of its accumulated after-tax profits, if any, determined in accordance with PRC accounting standards and regulations. Our PRC subsidiary is also required under PRC laws and regulations to allocate at least 10% of our annual after-tax profits determined in accordance with PRC GAAP to a statutory general reserve fund until the amounts in said fund reaches 50% of our registered capital. Allocations to these statutory reserve funds can only be used for specific purposes and are not transferable to us in the form of loans, advances or cash dividends. Any limitations on the ability of our PRC subsidiary to transfer funds to us could materially and adversely limit our ability to grow, make investments or acquisitions that could be beneficial to our business, pay dividends and otherwise fund and conduct our business.

***PRC regulation of loans and direct investment by offshore holding companies to PRC entities may delay or prevent us from making loans or additional capital contributions to our PRC subsidiary and affiliated entities, which could harm our liquidity and our ability to fund and expand our business.***

As an offshore holding company of our PRC subsidiary, we may (i) make loans to our PRC subsidiary and affiliated entities, (ii) make additional capital contributions to our PRC subsidiary, (iii) establish new PRC subsidiaries and make capital contributions to these new PRC subsidiaries, and (iv) acquire offshore entities with business operations in China in an offshore transaction. However, most of these uses are subject to PRC regulations and approvals. For example:



- loans by us to our wholly-owned subsidiary in China, which is a foreign-invested enterprise, cannot exceed statutory limits and must be registered with the State Administration of Foreign Exchange of the PRC (the “SAFE”) or its local counterparts;
- loans by us to our affiliated entities, which are domestic PRC entities, over a certain threshold must be approved by the relevant government authorities and must also be registered with the SAFE or its local counterparts; and
- capital contributions to our wholly-owned subsidiary must file a record with the PRC Ministry of Commerce (“MOFCOM”) or its local counterparts and shall also be limited to the difference between the registered capital and the total investment amount.

We cannot assure you that we will be able to obtain these government registrations or filings on a timely basis, or at all. If we fail to finish such registrations or filings, our ability to capitalize our PRC subsidiary’s operations may be adversely affected, which could adversely affect our liquidity and our ability to fund and expand our business.

On March 30, 2015, the SAFE promulgated a notice relating to the administration of foreign invested company of its capital contribution in foreign currency into RMB (Hui Fa [2015]19) (“**Circular 19**”). Although Circular 19 has fastened the administration relating to the settlement of exchange of foreign-investment, allows the foreign-invested company to settle the exchange on a voluntary basis, it still requires that the bank review the authenticity and compliance of a foreign-invested company’s settlement of exchange in previous time, and the settled in RMB converted from foreign currencies shall deposit on the foreign exchange settlement account, and shall not be used for several purposes as listed in the “negative list”. As a result, the notice may limit our ability to transfer funds to our operations in China through our PRC subsidiary, which may affect our ability to expand our business. Meanwhile, the foreign exchange policy is unpredictable in China, it shall be various with the nationwide economic pattern, the strict foreign exchange policy may have an adverse impact in our capital cash and may limit our business expansion.

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

In October 2005, the SAFE, issued the Notice on Relevant Issues in the Foreign Exchange Control over Financing and Return Investment Through Special Purpose Companies by Residents Inside China, generally referred to as Circular 75, which required PRC residents to register with the competent local SAFE branch before establishing or acquiring control over an offshore special purpose company (“SPV”), for the purpose of engaging in an equity financing outside of China on the strength of domestic PRC assets originally held by those residents. Internal implementing guidelines issued by the SAFE, which became public in June 2007 (“**Notice 106**”), expanded the reach of Circular 75 by (1) purporting to cover the establishment or acquisition of control by PRC residents of offshore entities which merely acquire “control” over domestic companies or assets, even in the absence of legal ownership; (2) adding requirements relating to the source of the PRC resident’s funds used to establish or acquire the offshore entity; covering the use of existing offshore entities for offshore financings; (3) purporting to cover situations in which an offshore SPV establishes a new subsidiary in China or acquires an unrelated company or unrelated assets in China; and (4) making the domestic affiliate of the SPV responsible for the accuracy of certain documents which must be filed in connection with any such registration, notably, the business plan which describes the overseas financing and the use of proceeds. Amendments to registrations made under Circular 75 are required in connection with any increase or decrease of capital, transfer of shares, mergers and acquisitions, equity investment or creation of any security interest in any assets located in China to guarantee offshore obligations and Notice 106 makes the offshore SPV jointly responsible for these filings. In the case of an SPV which was established, and which acquired a related domestic company or assets, before the implementation date of Circular 75, a retroactive SAFE registration was required to have been completed before March 30, 2006; this date was subsequently extended indefinitely by Notice 106, which also required that the registrant establish that all foreign exchange transactions undertaken by the SPV and its affiliates were in compliance with applicable laws and regulations. Failure to comply with the requirements of Circular 75, as applied by the SAFE in accordance with Notice 106, may result in fines and other penalties under PRC laws for evasion of applicable foreign exchange restrictions. Any such failure could also result in the SPV’s affiliates being impeded or prevented from distributing their profits and the proceeds from any reduction in capital, share transfer or liquidation to the SPV, or from engaging in other transfers of funds into or out of China.

We have advised our shareholders who are PRC residents, as defined in Circular 75, to register with the relevant branch of SAFE, as currently required, in connection with their equity interests in us and our acquisitions of equity interests in our PRC subsidiary and affiliate. However, we cannot provide any assurances that their existing registrations have fully complied with, and they have made all necessary amendments to their registration to fully comply with, all applicable registrations or approvals required by Circular 75. Moreover, because of uncertainty over how Circular 75 will be interpreted and implemented, and how or whether the SAFE will apply it to us, we cannot predict how it will affect our business operations or future strategies. For example, our present and prospective PRC subsidiary's and affiliate's ability to conduct foreign exchange activities, such as the remittance of dividends and foreign currency-denominated borrowings, may be subject to compliance with Circular 75 by our PRC resident beneficial holders. In addition, such PRC residents may not always be able to complete the necessary registration procedures required by Circular 75. We also have little control over either our present or prospective direct or indirect shareholders or the outcome of such registration procedures. A failure by our PRC resident beneficial holders or future PRC resident shareholders to comply with Circular 75, if the SAFE requires it, could subject these PRC resident beneficial holders to fines or legal sanctions, restrict our overseas or cross-border investment activities, limit our subsidiary's and affiliate's ability to make distributions or pay dividends or affect our ownership structure, which could adversely affect our business and prospects.

***We may be subject to fines and legal sanctions by the SAFE or other PRC government authorities if we or our employees who are PRC citizens fail to comply with PRC regulations relating to employee stock options granted by offshore listed companies to PRC citizens.***

On March 28, 2007, the SAFE promulgated the Operating Procedures for Foreign Exchange Administration of Domestic Individuals Participating in Employee Stock Ownership Plans and Stock Option Plans of Offshore Listed Companies (“**Circular 78**”). Under Circular 78, Chinese citizens who are granted share options by an offshore listed company are required, through a Chinese agent or Chinese subsidiary of the offshore listed company, to register with SAFE and complete certain other procedures, including applications for foreign exchange purchase quotas and opening special bank accounts. We and our Chinese employees who have been granted share options are subject to Circular 78. Failure to comply with these regulations may subject us or our Chinese employees to fines and legal sanctions imposed by the SAFE or other PRC government authorities and may prevent us from further granting options under our share incentive plans to our employees. Such events could adversely affect our business operations.

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

Under the New EIT Law effective on January 1, 2008, an enterprise established outside China with “de facto management bodies” within China is considered a “resident enterprise,” meaning that it can be treated in a manner similar to a Chinese enterprise for enterprise income tax purposes. The implementing rules of the New EIT Law define de facto management as “substantial and overall management and control over the production and operations, personnel, accounting, and properties” of the enterprise.

On April 22, 2009, the State Administration of Taxation issued the Notice Concerning Relevant Issues Regarding Cognizance of Chinese Investment Controlled Enterprises Incorporated Offshore as Resident Enterprises pursuant to Criteria of de facto Management Bodies (the “**Notice**”), further interpreting the application of the New EIT Law and its implementation non-Chinese enterprise or group controlled offshore entities. Pursuant to the Notice, an enterprise incorporated in an offshore jurisdiction and controlled by a Chinese enterprise or group will be classified as a “non-domestically incorporated resident enterprise” if (i) its senior management in charge of daily operations reside or perform their duties mainly in China; (ii) its financial or personnel decisions are made or approved by bodies or persons in China; (iii) its substantial assets and properties, accounting books, corporate chops, board and shareholder minutes are kept in China; and (iv) at least half of its directors with voting rights or senior management often resident in China. A resident enterprise would be subject to an enterprise income tax rate of 25% on its worldwide income and must pay a withholding tax at a rate of 10% when paying dividends to its non-PRC shareholders. However, it remains unclear as to whether the Notice is applicable to an offshore enterprise incorporated by a Chinese natural person. Nor are detailed measures on imposition of tax from non-domestically incorporated resident enterprises available. Therefore, it is unclear how tax authorities will determine tax residency based on the facts of each case.

Given the above conditions, although unlikely, we may be deemed to be a resident enterprise by Chinese tax authorities. If the PRC tax authorities determine that we are a “resident enterprise” for PRC enterprise income tax purposes, a number of unfavorable PRC tax consequences could follow. First, we may be subject to the enterprise income tax at a rate of 25% on our worldwide taxable income as well as PRC enterprise income tax reporting obligations. In our case, this would mean that income such as interest on financing proceeds and non-China source income would be subject to PRC enterprise income tax at a rate of 25%. Second, although under the New EIT Law and its implementing rules dividends paid to us from our PRC subsidiary would qualify as “tax-exempt income,” we cannot guarantee that such dividends will not be subject to a 10% withholding tax, as the PRC foreign exchange control authorities, which enforce the withholding tax, 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. Finally, it is possible that future guidance issued with respect to the new “resident enterprise” classification could result in a situation in which a 10% withholding tax is imposed on dividends we pay to our non-PRC shareholders and with respect to gains derived by our non-PRC shareholders from transferring our shares. We are actively monitoring the possibility of “resident enterprise” treatment.

If we were treated as a “resident enterprise” by PRC tax authorities, we would be subject to taxation in both the U.S. and China, and our PRC tax may not be creditable against our U.S. tax.

***We may be exposed to liabilities under the Foreign Corrupt Practices Act (the “FCPA”) and Chinese anti-corruption laws, and any determination that we violated these laws could have a material adverse effect on our business.***

We are subject to the FCPA and other laws that prohibit improper payments or offers of payments to foreign governments and their officials and political parties by U.S. persons and issuers as defined by the statute, for the purpose of obtaining or retaining business. We have operations, agreements with third parties and we earn the majority of our revenue in China. PRC also strictly prohibits bribery of government officials. Our activities in China create the risk of unauthorized payments or offers of payments by our executive officers, employees, consultants, sales agents or other representatives of our Company, even though they may not always be subject to our control. It is our policy to implement safeguards to discourage these practices by our employees. However, our existing safeguards and any future improvements may prove to be less than effective, and the executive officers, employees, consultants, sales agents or other representatives of our Company may engage in conduct for which we might be held responsible. Violations of the FCPA or Chinese anti-corruption laws may result in severe criminal or civil sanctions, and we may be subject to other liabilities, which could negatively affect our business, operating results and financial condition. In addition, the U.S. government may seek to hold our Company liable for successor liability FCPA violations committed by companies in which we invest or that we acquire.

***Because our business is located in the PRC, we may have difficulty establishing adequate management, legal and financial controls, which we are required to do in order to comply with U.S. securities laws.***

PRC companies have historically not adopted a Western style of management and financial reporting concepts and practices, which includes strong corporate governance, internal controls and computer, financial and other control systems. Some of our staff is not educated and trained in the Western system, and we may have difficulty hiring new employees in the PRC with such training. As a result of these factors, we may experience difficulty in establishing management, legal and financial controls, collecting financial data and preparing financial statements, books of account and corporate records and instituting business practices that meet Western standards. Therefore, we may, in turn, experience difficulties in implementing and maintaining adequate internal controls as required under Section 404 of the SOA. This may result in significant deficiencies or material weaknesses in our internal controls, which could impact the reliability of our financial statements and prevent us from complying with Commission rules and regulations and the requirements of the SOA. Any such deficiencies, weaknesses or lack of compliance could have a materially adverse effect on our business.

***The disclosures in our reports and other filings with the SEC and our other public announcements are not subject to the scrutiny of any regulatory bodies in the PRC. Accordingly, our public disclosure should be reviewed in light of the fact that no governmental agency that is located in the PRC, where part of our operations and business are located, has conducted any due diligence on our operations or reviewed or cleared any of our disclosure.***

We are regulated by the SEC and our reports and other filings with the SEC are subject to SEC review in accordance with the rules and regulations promulgated by the SEC under the Securities Act and the Exchange Act. Unlike public reporting companies whose operations are located primarily in the United States, however, substantially all of our operations are located in the PRC and Hong Kong. Since substantially all of our operations and business takes place outside of United States, it may be more difficult for the staff of the SEC to overcome the geographic and cultural obstacles that are present when reviewing our disclosure. These same obstacles are not present for similar companies whose operations or business take place entirely or primarily in the United States. Furthermore, our SEC reports and other disclosure and public announcements are not subject to the review or scrutiny of any PRC regulatory authority. For example, the disclosure in our SEC reports and other filings are not subject to the review of the CSRC. Accordingly, you should review our SEC reports, filings and our other public announcements with the understanding that no local regulator has done any due diligence on our Company and with the understanding that none of our SEC reports, other filings or any of our other public announcements has been reviewed or otherwise been scrutinized by any local regulator.

***Certain PRC regulations, including those relating to mergers and acquisitions and national security, may require a complicated review and approval process which could make it more difficult for us to pursue growth through acquisitions in China.***

The Regulations on Mergers and Acquisitions of Domestic Enterprises by Foreign Investors (the “**M&A Rules**”), which became effective in September 2006 and were further amended in June 2009, requires that if an overseas company is established or controlled by PRC domestic companies or citizens intends to acquire equity interests or assets of any other PRC domestic company affiliated with the PRC domestic companies or citizens, such acquisition must be submitted to the MOFCOM, rather than local regulators, for approval. In addition, the M&A Rules requires that an overseas company controlled directly or indirectly by PRC companies or citizens and holding equity interests of PRC domestic companies needs to obtain the approval of the China Securities Regulatory Commission, or CSRC, prior to listing its securities on an overseas stock exchange. On September 21, 2006, the CSRC published a notice on its official website specifying the documents and materials required to be submitted by overseas special purpose companies seeking the CSRC’s approval of their overseas listings.

The M&A Rules established additional procedures and requirements that could make merger and acquisition activities in China by foreign investors more time-consuming and complex. For example, the MOFCOM must be notified in the event a foreign investor takes control of a PRC domestic enterprise. In addition, certain acquisitions of domestic companies by offshore companies that are related to or affiliated with the same entities or individuals of the domestic companies, are subject to approval by the MOFCOM. In addition, the Implementing Rules Concerning Security Review on Mergers and Acquisitions by Foreign Investors of Domestic Enterprises, issued by the MOFCOM in November 2011, require that mergers and acquisitions by foreign investors in “any industry with national security concerns” be subject to national security review by the MOFCOM. In addition, any activities attempting to circumvent such review process, including structuring the transaction through a proxy or contractual control arrangement, are strictly prohibited.

There is significant uncertainty regarding the interpretation and implementation of these regulations relating to merger and acquisition activities in China. In addition, complying with these requirements could be time-consuming, and the required notification, review or approval process may materially delay or affect our ability to complete merger and acquisition transactions in China. As a result, our ability to seek growth through acquisitions may be materially and adversely affected. In addition, if the MOFCOM determines that we should have obtained its approval for our entry into contractual arrangements with our affiliated entities, we may be required to file for remedial approvals. There is no assurance that we would be able to obtain such approval from the MOFCOM.

If the MOFCOM, the CSRC and/or other PRC regulatory agencies subsequently determine that the approvals from the MOFCOM and/or CSRC and/or other PRC regulatory agencies were required, our PRC business could be challenged, and we may need to apply for a remedial approval and may be subject to certain administrative punishments or other sanctions from PRC regulatory agencies. The regulatory agencies may impose fines and penalties on our operations in the PRC, limit our operating privileges in the PRC, delay or restrict the conversion and remittance of our funds in foreign currencies into the PRC, or take other actions that could materially and adversely affect our business, financial condition, results of operations, reputation and prospects, as well as the trading price of our common stock.

*As substantially all of our operations are conducted through the VIE in China, our ability to pay dividends is primarily dependent on receiving distributions of funds from the VIE. However, the PRC government might exert more oversight and control over offerings that are conducted overseas and/or foreign investment in China-based issuers, which would likely result in a material change in our operations, even significantly limit or completely hinder our ability to offer or continue to offer securities or dividends to investors, and the value of our common stock may depreciate significantly or become worthless.*

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 in Accordance with the Law (the “**Cracking Down on Illegal Securities Activities Opinions**”). The Cracking Down on Illegal Securities Activities Opinions emphasized the need to strengthen the administration over illegal securities activities and the supervision over overseas listings by China-based companies, and proposed to take measures, including promoting the construction of relevant regulatory systems to control the risks and deal with the incidents faced by China-based overseas-listed companies.

In addition, on December 24, 2021, the CSRC issued the draft Administration Provisions of the State Council on the Administration of Overseas Securities Offering and Listing by Domestic Companies (the “**Draft Administration Provisions**”) and the draft Administrative Measures for the Filing of Overseas Securities Offering and Listing by Domestic Companies (the “**Draft Administrative Measures**”), for public comments. The Draft Administration Provisions and the Draft Administrative Measures regulate overseas securities offering and listing by domestic companies in direct or indirect form. The Draft Administration Provisions specify the responsibilities of the CSRC to regulate the activities of overseas securities offering and listing by domestic companies and establish a filing-based regime. As a supporting measure to the Draft Administration Provisions, the Draft Administrative Measures, detail the determination criteria for indirect overseas listing in overseas markets. Specifically, an offering and listing shall be considered as an indirect overseas offering and listing by a domestic company if the issuer meets the following conditions: (i) the operating income, gross profit, total assets, or net assets of the domestic enterprise in the most recent fiscal year was more than 50% of the relevant line item in the issuer’s audited consolidated financial statement for that year; and (ii) senior management personnel responsible for business operations and management are mostly PRC citizens or are ordinarily resident in the PRC, or the main place of business is in the PRC or carried out in the PRC. In accordance with the Draft Administrative Measures, the issuer or its designated material domestic company, shall file with the CSRC and report the relevant information for its initial public offering.

On February 17, 2023, the CSRC promulgated the Overseas Listing Trial Measures and five relevant guidelines, which became effective on March 31, 2023. The Overseas Listing Trial Measures regulate both direct and indirect overseas offering and listing of PRC domestic companies’ securities by adopting a filing-based regulatory regime. According to the Overseas Listing Trial Measures, if the issuer meets both the following conditions, the overseas securities offering and listing conducted by such issuer will be determined as indirect overseas offering, which shall be subject to the filing procedure set forth under the Overseas Listing Trial Measures: (i) 50% or more of the issuer’s operating revenue, total profit, total assets or net assets as documented in its audited consolidated financial statements for the most recent accounting year is accounted for by domestic companies; and (ii) the main parts of the issuer’s business activities are conducted in mainland China, or its main places of business are located in mainland China, or the senior managers in charge of its business operations and management are mostly Chinese citizens or domiciled in mainland China. Where an abovementioned issuer submits an application for an initial public offering to competent overseas regulators, such issuer shall file with the CSRC within three business days after such application is submitted. Where a domestic company fails to fulfill filing procedure or in violation of the provisions as stipulated above, in respect of its overseas offering and listing, the CSRC shall order rectification, issue warnings to such domestic company, and impose a fine ranging from RMB1,000,000 to RMB10,000,000. Also the directly liable persons and actual controllers of the domestic company that organize or instruct the aforementioned violations shall be warned and/or imposed fines.

Also on February 17, 2023, the CSRC also held a press conference for the release of the Overseas Listing Trial Measures and issued the Notice on Administration for the Filing of Overseas Offering and Listing by Domestic Companies, which, among others, clarifies that the domestic companies that have already been listed overseas on or before the effective date of the Overseas Listing Trial Measures (March 31, 2023) shall be deemed as “stock enterprises”. Stock enterprises are not required to complete the filing procedures immediately, and they shall be required to file with the CSRC when subsequent matters such as refinancing are involved.

Due to the Overseas Listing Trial Measures, we will be required to file with the CSRC with respect to an offering of new securities, which may subject us to additional compliance requirements in the future and we cannot assure you that we will be able to get the clearance from the CSRC for any offering of new securities on a timely manner. Any failure of us to comply with the new Overseas Listing Trial Measures may significantly limit or completely hinder our ability to offer or continue to offer our securities, cause significant disruption to our business operations, and severely damage our reputation.

Furthermore, it is uncertain when and whether we will be able to obtain permission or approval from the CSRC or the PRC government to offer securities to list on U.S. exchanges or the execution of a VIE Agreement in the future. However, our operations are conducted through the VIE in PRC, and our ability to pay dividends is primarily dependent on receiving distributions of funds from the VIE, if we do not obtain or maintain any of the permissions or approvals which may be required in the future by the PRC government for the operation of the VIE or the execution of VIE Agreements, our operations and financial conditions could be adversely effected, even significantly limit or completely hinder our ability to offer or continue to offer securities or dividends to investors and cause the value of our securities to significantly decline or become worthless.

***Although the audit report included in our Annual Report for the fiscal year ended February 29, 2024 was prepared by an auditor who has been recently inspected by the PCAOB, if it is later determined that the PCAOB is unable to inspect or investigate our auditor completely, we could be delisted if we are unable to meet the PCAOB inspection requirements established by the HFCAA.***

As a public company with securities listed on Nasdaq, we are required to have our financial statements audited by an independent registered public accounting firm registered with the PCAOB. A requirement of being registered with the PCAOB is that if requested by the SEC or PCAOB, such accounting firm is required to make its audits and related audit work papers be subject to regular inspections to assess its compliance with the applicable professional standards. Since our auditor is located in Hong Kong and PRC, a jurisdiction where the PCAOB has previously been unable to conduct inspections without the approval of the PRC authorities due to various state secrecy laws and the revised Securities Law, the PCAOB did not have free access to inspect the work of our auditor. This lack of access to the PCAOB inspection in the PRC prevents the PCAOB from fully evaluating audits and quality control procedures of our auditor based in the PRC. 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 the PRC makes it more difficult to evaluate the effectiveness of these accounting firms’ audit procedures or quality control procedures as compared to auditors outside of the PRC that are subject to the PCAOB inspections.

On December 18, 2020, the HFCAA was enacted. In essence, the act requires the SEC to prohibit securities of any foreign companies from being listed on U.S. securities exchanges or traded “over-the-counter” if a company retains a foreign accounting firm that cannot be inspected by the PCAOB for three consecutive years, beginning in 2021. Our independent registered public accounting firm is located in and organized under the laws of Hong Kong and the PRC, a jurisdiction where the PCAOB is currently unable to conduct inspections without the approval of the PRC authorities, and therefore our auditors are not currently inspected by the PCAOB.

On March 24, 2021, the SEC adopted interim final amendments, which will become effective 30 days after publication in the Federal Register, relating to the implementation of certain disclosure and documentation requirements of the HFCAA. The interim final amendments will apply to registrants that the SEC identifies as having filed an annual report with an audit report issued by a registered public accounting firm that is located in a foreign jurisdiction and that the PCAOB has determined it is unable to inspect or investigate completely because of a position taken by an authority in that jurisdiction. Before any registrant will be required to comply with the interim final amendments, the SEC must implement a process for identifying such registrants. Consistent with the HFCAA, the amendments will require any identified registrant to submit documentation to the SEC establishing that the registrant is not owned or controlled by a government entity in that jurisdiction, and will also require, among other things, disclosure in the registrant’s annual report regarding the audit arrangements of, and government influence on, such registrant.

On June 22, 2021, the U.S. Senate passed the AHFCAA which, if enacted, would decrease the number of non-inspection years from three years to two, thus reducing the time period before the Company's securities may be delisted or prohibited from trading.

On November 5, 2021, the SEC approved PCAOB Rule 6100, Board Determination Under the Holding Foreign Companies Accountability Act, effective immediately. The rule establishes "a framework for the PCAOB's determinations under the HFCAA 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, SEC has announced the adoption of amendments to finalize rules implementing the submission and disclosure requirements in the HFCAA. The rules apply to registrants the SEC identifies as having filed an annual report with an audit report issued by a registered public accounting firm that is located in a foreign jurisdiction and that the PCAOB is unable to inspect or investigate ("**Commission-Identified Issuers**"). The final amendments require Commission-Identified Issuers to submit documentation to the SEC establishing that, if true, it is not owned or controlled by a governmental entity in the public accounting firm's foreign jurisdiction. The amendments also require that a Commission-Identified Issuer that is a "foreign issuer," as defined in Exchange Act Rule 3b-4, provide certain additional disclosures in its annual report for itself and any of its consolidated foreign operating entities. Further, the adopting release provides notice regarding the procedures the SEC has established to identify issuers and to impose trading prohibitions on the securities of certain Commission-Identified Issuers, as required by the HFCAA. The SEC will identify Commission-Identified Issuers for fiscal years beginning after December 18, 2020. A Commission-Identified Issuer will be required to comply with the submission and disclosure requirements in the annual report for each year in which it was identified. If a registrant is identified as a Commission-Identified Issuer based on its annual report for the fiscal year ended December 31, 2021, the registrant will be required to comply with the submission or disclosure requirements in its annual report filing covering the fiscal year ended December 31, 2022.

On December 16, 2021, PCAOB issued a report on its determinations that PCAOB is unable to inspect or investigate completely PCAOB-registered public accounting firms headquartered in mainland China and in Hong Kong, a Special Administrative Region of the PRC, because of positions taken by PRC authorities in those jurisdictions. The PCAOB made these determinations pursuant to PCAOB Rule 6100, which provides a framework for how the PCAOB fulfills its responsibilities under the HFCAA. The report further listed in its Appendix A and Appendix B, Registered Public Accounting Firms Subject to the Mainland China Determination and Registered Public Accounting Firms Subject to the Hong Kong Determination, respectively. The audit report included in our Annual Report on Form 10-K for the years ended February 28, 2023 and 2022, was issued by CZD CPA, an audit firm headquartered in Hong Kong, a jurisdiction that the PCAOB previously determined that the PCAOB is unable to conduct inspections or investigate auditors. However, on December 15, 2022, the PCAOB determined that the PCAOB was able to secure complete access to inspect and investigate registered public accounting firms headquartered in mainland China and Hong Kong and voted to vacate its previous determinations. Should the PRC authorities obstruct or otherwise fail to facilitate the PCAOB's access in the future, the PCAOB will consider the need to issue a new determination.

In June 2022, we were identified as a Commission-Identified Issuer on the SEC's "Conclusive list of issuers identified under the HFCAA" (available at <https://www.sec.gov/hfcaa>) and, as a result, we will be required to comply with the submission or disclosure requirements in our annual report covering the fiscal year ended February 28, 2025. If we are so identified for another two consecutive years, the SEC would prohibit our securities from trading on a securities exchange or in the over-the-counter trading market in the United States. As noted above, on December 15, 2022, the PCAOB vacated its previous determinations that it is unable to inspect and investigate completely PCAOB-registered public accounting firms headquartered in mainland China and Hong Kong. Accordingly, until such time as the PCAOB issues any new determination, we do not expect to be at risk of having our securities subject to a trading prohibition under the HFCAA.

Under the HFCAA (as amended by the Consolidated Appropriations Act, 2023), our securities may be prohibited from trading on the U.S. stock exchanges or in the over the counter trading market in the U.S. if our auditor is not inspected by the PCAOB for two consecutive years, and this ultimately could result in our common stock being delisted. On June 22, 2021, the U.S. Senate passed the AHFCAA, which was enacted under the Consolidated Appropriations Act, 2023, as further described below.

On August 26, 2022, the PCAOB signed a Statement of Protocol with the China Securities Regulatory Commission and the Ministry of Finance of the PRC, taking the first step toward opening access for the PCAOB to inspect and investigate registered public accounting firms headquartered in mainland China and Hong Kong. The Statement of Protocol gives the PCAOB sole discretion to select the firms, audit engagements and potential violations it inspects and investigates and put in place procedures for PCAOB inspectors and investigators to view complete audit work papers with all information included and for the PCAOB to retain information as needed. In addition, the Statement of Protocol grants the PCAOB direct access to interview and take testimony from all personnel associated with the audits the PCAOB inspects or investigates. While significant, the Statement of Protocol is only a first step. Uncertainties still exist as to whether and how this new Statement of Protocol will be implemented. Notwithstanding the signing of the Statement of Protocol, if the PCAOB cannot make a determination that it is able to inspect and investigate completely registered public accounting firms headquartered in mainland China and Hong Kong, trading of our securities will still be prohibited under the HFCAA and Nasdaq will determine to delist our securities. Therefore, there is no assurance that the Statement of Protocol will relieve us from the delisting risk under the HFCAA.

On December 29, 2022, the Consolidated Appropriations Act, 2023, was signed into law, which amended the HFCAA (i) to reduce the number of consecutive years that would trigger delisting from three years to two years, and (ii) so that any foreign jurisdiction could be the reason why the PCAOB does not to have complete access to inspect or investigate a company's auditors. As it was originally enacted, the HFCAA applied only if the PCAOB's inability to inspect or investigate because of a position taken by an authority in the foreign jurisdiction where the relevant public accounting firm is located. As a result of the Consolidated Appropriations Act, 2023, the HFCAA now also applies if the PCAOB's inability to inspect or investigate the relevant accounting firm is due to a position taken by an authority in any foreign jurisdiction. The denying jurisdiction does not need to be where the accounting firm is located.

The SEC may propose additional rules or guidance that could impact us if our auditor is not subject to PCAOB inspection. For example, on November 6, 2020, the President's Working Group on Financial Markets issued the Report on Protecting United States Investors from Significant Risks from Chinese Companies to the then President of the United States. This report recommended that the SEC implement five recommendations to address companies from jurisdictions that do not provide the PCAOB with sufficient access to fulfil its statutory mandate. Some of the concepts of these recommendations were implemented with the enactment of the HFCAA. However, some of the recommendations were more stringent than the HFCAA. For example, if a company was not subject to PCAOB inspection, the report recommended that the transition period before a company would be delisted would end on January 1, 2022.

The enactment of the HFCAA and the implications of any additional rulemaking efforts to increase U.S. regulatory access to audit information in PRC could cause investor uncertainty for affected SEC registrants, including us, and the market price of our common stock could be materially adversely affected. Additionally, whether the PCAOB will be able to conduct inspections of our auditor in the next two years, or at all, is subject to substantial uncertainty and depends on a number of factors out of our control. If we are unable to meet the PCAOB inspection requirement in time, our stock will not be permitted for trading on Nasdaq Capital Market either. Such a delisting would substantially impair your ability to sell or purchase our stock when you wish to do so, and the risk and uncertainty associated with delisting would have a negative impact on the price of our stock. Also, such a delisting would significantly affect our ability to raise capital on terms acceptable to us, or at all, which would have a material adverse impact on our business, financial condition and prospects.



## ITEM 2 – UNREGISTERED SALES OF EQUITY SECURITIES, USE OF PROCEEDS AND ISSUER PURCHASES OF EQUITY SECURITIES

On March 29, 2024, we issued 17,500 shares of our common stock at a deemed price of \$2.80 per share to one entity pursuant to consulting agreements, dated February 27, 2023 and February 24, 2024. We relied upon the exemption from registration under the Securities Act provided by Rule 506(b) or Section 4(a)(2) of the Securities Act for the issuance of the shares to the entity that is a U.S. person.

## ITEM 3 – DEFAULTS UPON SENIOR SECURITIES

None

## ITEM 4 – MINE SAFETY DISCLOSURES

Not applicable

## ITEM 5 – OTHER INFORMATION

On June 1, 2024, the Company's wholly owned subsidiary, Finger Motion Company Limited (the "**Borrower**"), entered into a loan agreement (the "**Loan Agreement**") with Dr. Liew Yow Ming (the "**Lender**") whereby the Lender agreed to advance a short-term loan facility of SGD\$370,000 (the "**Loan**") to the Borrower for working capital purposes. As of the date hereof, the full amount of the Loan has been drawn upon by the Borrower. Each drawdown portion of the Loan is due one (1) year from the date of the drawdown, unless extended by the Lender. If the Lender agrees, the Borrower may prepay the whole or any part of the Loan by providing the Lender not less than three (3) business days prior written notice and subject to payment of interest accrued thereon. Any prepayment of the Loan shall be in an amount of SGD\$50,000 or multiples thereof. The Loan shall bear interest at the rate of 1.67% per month, any such interest to accrue from day to day and to be calculated based on a 365-day year, and is payable on a monthly basis on or before the last day of each successive month. The Loan Agreement contains undertakings and covenants of the Borrower whereby the Borrower shall not, without the prior written consent of the Lender (which consent shall not be unreasonably withheld) (i) effect any form or reconstruction or amalgamation by way of a scheme of arrangement or otherwise nor approve, permit or suffer any substantial change of ownership or transfer of any substantial part of its issued capital, (ii) make any loan or advance or extend credit to any person or entity or issue or enter into any guidance or indemnity or otherwise become directly, indirectly or contingently liable for the obligations of any other person or entity except in the ordinary course of business, (iii) sell, lease, license alienate, transfer, assign or otherwise dispose of the whole or any part of the undertaking, property or assets whatsoever and wheresoever situate present or future of the Borrower except in the ordinary course of business, or (iv) amend or alter any provisions in its Memorandum or Articles of Association or such other equivalent constitutional documents to change its objects, borrowing or charging powers in such a manner so as to adversely affect the ability of the Borrower to perform or comply with any one or more of its obligations under the Loan Agreement.

The foregoing description of the Loan Agreement does not purport to be complete and is qualified in its entirety by reference to the terms of the Loan Agreement, which is filed Exhibit 10.1 to this Quarterly Report on Form 10-Q and incorporated by reference herein.

During our fiscal quarter ended May 31, 2024, none of our directors or executive officers adopted, modified or terminated any contract, instruction or written plan for the purchase or sale of our securities that was intended to satisfy the affirmative defense conditions of Rule 10b5-1(c) or any "non-Rule 10b5-1 trading arrangement" as defined in Item 408(c) of Regulation S-K.

## ITEM 6 – EXHIBITS

The following exhibits are included with this Quarterly Report:

Exhibit	Description of Exhibit
<a href="#"><u>10.1<sup>(*)</sup>(†)</u></a>	<a href="#"><u>Loan Agreement between Finger Motion Company Limited and Dr. Liew Yow Ming, dated June 1, 2024.</u></a>
<a href="#"><u>31.1<sup>(*)</sup></u></a>	<a href="#"><u>Certification of Chief Executive Officer pursuant to the Securities Exchange Act of 1934 Rule 13a-14(a) or 15d-14(a).</u></a>
<a href="#"><u>31.2<sup>(*)</sup></u></a>	<a href="#"><u>Certification of Chief Financial Officer pursuant to the Securities Exchange Act of 1934 Rule 13a-14(a) or 15d-14(a).</u></a>
<a href="#"><u>32.1<sup>(**)</sup></u></a>	<a href="#"><u>Certifications pursuant to the Securities Exchange Act of 1934 Rule 13a-14(b) or 15d-14(b) and 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.</u></a>
101.INS <sup>(*)</sup>	XBRL Instance Document
101.SCH <sup>(*)</sup>	XBRL Taxonomy Extension Schema Document
101.CAL <sup>(*)</sup>	XBRL Taxonomy Extension Calculation Linkbase Document
101.DEF <sup>(*)</sup>	XBRL Taxonomy Extension Definitions Linkbase Document
101.LAB <sup>(*)</sup>	XBRL Taxonomy Extension Label Linkbase Document
101.PRE <sup>(*)</sup>	XBRL Taxonomy Extension Presentation Linkbase Document
104 <sup>(*)</sup>	Cover Page Interactive Data File (formatted as inline XBRL and contained in Exhibit 101 attachments)

Notes:

(\*) Filed herewith

(\*\*) Furnished herewith

(†) Portions of this exhibit have been omitted

## 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.

### FINGERMOTION, INC.

Dated: June 28, 2024

By: /s/ Martin J. Shen  
Martin J. Shen, President, Chief Executive Officer  
(Principal Executive Officer) and Director

THIS LOAN AGREEMENT is made on the 1<sup>st</sup> day of June, 2024.

**BETWEEN**

- (1) **FINGER MOTION COMPANY LIMITED** a company having its registered office at Unit 912, 9/F., Two Harbourfront, 22 Tak Fung Street, HungHom, Kowloon, Hong Kong (hereinafter called the “**Borrower**”); and
- (2) **Dr. LIEW YOW MING** (SG NRIC No.: [\*\*\*\*]), an individual having an address at [\*\*\*\*] (hereinafter called the “**Lender**”);

(The Borrower and the Lender are collectively referred to as the “**Parties**” and each, a “**Party**”.)

**WHEREAS**

The Borrower is a subsidiary of FingerMotion, Inc., a corporation incorporated under the laws of the State of Delaware (the “**Company**”). At the request of the Borrower, the Lender has agreed to grant for the benefit of the Borrower a short-term loan facility of Singapore Dollars Three Hundred Seventy Thousand Only (SGD370,000.00) on the terms and conditions herein contained.

**NOW THIS AGREEMENT WITNESSES** as follows:

**1. DEFINITIONS**

- 1.1 For the purposes of this Agreement, the following expressions, except where the context requires otherwise, shall have the following meanings:
    - 1.1:1 “**Applicable Laws**” includes any constitution, treaty, decree, legislation, subsidiary legislation, common or customary law and judicial decisions, rule or regulation promulgated by the Relevant Authorities or administrative agency(ies) for the time being in force in the Relevant Jurisdiction which is material to the execution, delivery, performance, validity or enforceability of this Agreement and the Finance Documents ;
    - 1.1:2 “**Articles of Association**” means the articles of association of the Borrower, as may be amended, modified or supplemented from time to time;
    - 1.1:3 “**Hong Kong**” means the Hong Kong Special Administrative Region of the People’s Republic of China;
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- 1.1:4 “**Availability Period**” means the period commencing from the date hereof and terminating on 31 December 2024 or the date on which the Commitment is cancelled pursuant to this Agreement, whichever is the earlier;
- 1.1:5 “**Business Day**” means a day (other than a Saturday or Sunday) on which banks and foreign exchange markets are open in Hong Kong and New York for the transaction of business of the nature required by this Agreement;
- 1.1:6 “**Commitment**” means the Principal Sum as the commitment of the Lender;
- 1.1:7 “**Drawdown**” means the advance made or to be made to the Borrower under the Loan pursuant to Clause 4 hereof;
- 1.1:8 “**Drawing Amount**” has the meaning specified in Clause 4.1;
- 1.1:9 “**Drawing Notice**” means a notice (substantially in the form set out in **Appendix A** hereto) to be signed by the person or persons authorised by a resolution of the Board of Directors of the Borrower requesting for the Drawdown;
- 1.1:10 “**Event of Default**” means any of the events of default described in Clause 10 hereof and shall include any event which with the giving of notice and/or the passage of time constitute any of the events of default described in Clause 10 hereof;
- 1.1:11 “**Finance Documents**” means collectively, this Agreement and all other documents executed or to be executed as guarantee, indemnity or Security, whether by the Borrower and/or any other party, for the obligations of the Borrower under this Agreement;
- 1.1:12 “**Loan**” means either the short term loan facility of the Principal Sum of Singapore Dollars Three Hundred Seventy Thousand Only (SGD370,000.00) OR (where the context so admits) such amount (whether as to principal or interest or any other sum) as is for the time being outstanding and owing by the Borrower to the Lender under this Agreement;
- 1.1:13 “**Maturity Date**” means the date ending one year from the date of the Drawdown, unless extended by the Lender;
- 1.1:14 “**Memorandum**” means the memorandum of association of the Borrower, as may be amended, modified or supplemented from time to time;
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- 1.1:15        **“Principal Repayment Date”** means 365 days from the date of each Drawdown or such other due date as the Parties may mutually agree in writing in respect of each Drawdown;
- 1.1:16        **“Principal Sum”** means Singapore Dollars Three Hundred Seventy Thousand Only (SGD370,000.00);
- 1.1:17        **“Relevant Authorities”** includes any judicial, governmental or administrative bodies which are authorized and empowered by any Applicable Laws to exercise control over any matter relating to the execution, delivery, performance, validity or enforceability of this Agreement, or to adjudicate upon any dispute arising from or in connection therewith and references to **“Relevant Authority”** means any one of them;
- 1.1:18        **“Relevant Jurisdiction”** means Hong Kong and any other jurisdiction within which the execution of this Agreement and/or the performance and/or the enforcement of any terms and conditions herein and therein may take place.
- 1.1:19        **“Singapore Dollars”** and **“SGD”** means the lawful currency of Singapore.
- 1.2        Words denoting the singular number only shall include the plural number also and vice versa.
- 1.3        The clause headings in this Agreement are inserted for convenience only and shall be ignored in construing this Agreement.
- 1.4        Unless otherwise specified, references to Clauses and Appendices are to be construed as references respectively to the clauses and appendices of or to this Agreement.
- 1.5        All references to provisions of statutes include such provisions as modified or re-enacted from time to time.
- 1.6        Unless otherwise provided herein, all references to time shall mean Hong Kong time.
- 1.7        Unless otherwise specified, references to this Agreement or any other document referred to herein or therein shall be construed as references to such document as the same may be amended, varied, supplemented or novated from time to time.
- 2.        PURPOSE OF THE LOAN**
- 2.1        The Borrower shall use the proceeds of the Loan only for the exclusive purpose as working capital for its business.
- 2.2        Without prejudice to Clause 2.1, the Lender may, but shall not be bound to enquire as to the proposed or actual application of the proceeds of the Loan (or any portion thereof) and shall not be bound to monitor or verify that application or be responsible for, or for the consequences of, that application.
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### **3. CONDITIONS PRECEDENT**

Subject to the terms and conditions herein contained, the Loan shall become the Commitment and available to the Borrower ONLY:

3.1 When the Lender has received (or is satisfied that it will receive the same immediately when available and, on such terms, and conditions as it in its absolute discretion direct) in form and substance satisfactory to it each of the following:

3.1:1 Borrower, duly authorizing:

3.1:1.1 the Borrower to obtain the Loan on the terms and conditions herein contained;

3.1:1.2 the Borrower's duly authorised representative(s) to sign this Agreement, the Drawing Notice and to give such notices, requests, demands or other communications as may be required from time to time for the purposes of the Loan;

3.2 Upon the following conditions being satisfied:

3.2:1 all acts, conditions and things required to be done and performed and to have happened precedent to the execution and delivery of this Agreement and to constitute the same legal valid and binding obligations of the Borrower and of the security providers enforceable in accordance with their respective terms, shall have been done, performed and happened in due and strict compliance with all Applicable Laws;

3.2:2 there is no breach by the Borrower of any of the covenants, undertakings or stipulations contained in this Agreement and that all the representations and warranties contained in this Agreement shall be true and correct and no Event of Default has occurred; and

3.2:3 in the reasonable opinion of the Lender, there is no material adverse change in the operations or the financial standing of the Borrower.

### **4. DRAWING**

4.1 The Borrower shall drawdown the Principal Sum in two (2) tranches during the Availability Period, such Drawdown to be made by delivering to the Lender the Drawing Notice in accordance with this Clause 4.

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- 4.2 Unless otherwise agreed by the Lender, the Drawing Notice shall be given by the Borrower to the Lender at least three (3) Business Days prior to the date of the intended Drawdown.
- 4.3 The Drawing Notice shall specify the details of the intended Drawdown as required by the form attached as **Appendix A** hereto.
- 4.4 The Drawing Notice shall be effective only upon actual receipt by the Lender. For the purposes of this provision, a transmission via fax to the Lender shall suffice if the same is actually received by the Lender.
- 4.5 The Drawing Notice shall constitute a confirmation by the Borrower that at the relevant date thereon no Event of Default has occurred and that the representations and warranties contained herein remain true and accurate in all material respects.
- 4.6 The Borrower may not cancel all or any part of the Commitment before the expiration of the Availability Period except as expressly provided in this Agreement or with the written consent of the lender; provided that any part of the Commitment which is not drawn as of the final date of the Availability Period shall be automatically cancelled.

## **5. REPAYMENT AND PREPAYMENT**

- 5.1 Unless otherwise agreed by the Lender and on such terms and conditions as may be directed by the Lender, the Borrower shall repay the Drawing Amount thereon pursuant to this Agreement on each Principal Repayment Date in Singapore Dollars.
- 5.2 Only if agreed by the Lender, the Borrower may prepay the whole or any part of the Loan outstanding by giving to the Lender not less than three (3) Business Days prior written notice and subject to payment of interest accrued thereon. Unless otherwise agreed, any prepayment of the Loan shall be in an amount of S\$50,000 or multiples thereof.
- 5.3 For the avoidance of doubt, any amount repaid and/or paid pursuant to Clause 5.1 and Clause 5.2 shall not be re-borrowed or redrawn, unless otherwise agreed in writing by the Lender.

## **6. INTEREST**

- 6.1 The Borrower shall pay interest on the Loan at a rate equal to 1.67% per month, any such interest to accrue from day to day and to be calculated based on a 365-day year. Interest shall be paid on a monthly pro-rata basis by way of telegraphic transfer to the following designated bank account of the Lender on or before the last day of each successive month;

Bank Name : [\*\*\*\*]  
Branch Code : [\*\*\*\*]

Account : LIEW YOW MING  
Name  
Account No. : [\*\*\*\*]

SWIFT Code : [\*\*\*\*]  
Address : [\*\*\*\*]

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6.2 Subject to any prepayment of the Loan, the last interest payment shall be on the Maturity Date.

## **7. PAYMENT BY THE BORROWER**

7.1 All payments whether as to principal, interest, fees or otherwise, to be made by the Borrower under this Agreement shall be made without set-off, counterclaim or condition and free and clear of and without any deduction of or withholding for or on account of any taxes, duties, levies, charges, imposts or any other deductions of whatsoever nature, now or hereafter imposed. If at any time in accordance with any Applicable Laws, the Borrower is required to make any such deduction or withholding from any such payment, the sum due from the Borrower in respect of such payment shall be increased to the extent necessary to ensure that after the making of such deduction or withholding, the Lender receives a net sum equal to the sum which it would have received, had no such deduction or withholding been required to be made.

7.2 If the Borrower pays a sum which is less than the total amount due and overdue whether in respect of principal, fees or otherwise, the Borrower shall apply all payments in the following order of priority:

7.2.1 firstly, in reimbursement of all fees (including legal fees on a full indemnity basis) and expenses incurred by the Lender arising from or in connection with the demanding, enforcement or attempted enforcement of payment of moneys due under this Agreement or the protection, preservation, enforcement (or the attempt to do so) of the Lender's rights and remedies under this Agreement and the Applicable Laws;

7.2.2 secondly, in repayment of any interest under this Agreement:  
i) interest to be repaid end of every month  
ii) monthly interest rate – 1.67% on the Loan; and

7.2.3 thirdly, in repayment of the principal element of the Loan.

## **8. REPRESENTATIONS AND WARRANTIES**

8.1 The Borrower hereby represents and warrants to the Lender which representations and warranties shall survive the making of the Loan as follows:

8.1:1 That the Borrower is a company with limited liability incorporated in Hong Kong, and has full power, authority and legal right to own its assets and to carry on its businesses and that the Borrower will until the Loan and all other amounts due and payable hereunder have been fully paid by the Borrower to the Lender maintain its corporate existence as a company with limited liability under the laws of Hong Kong, and will maintain its registered office in Hong Kong;

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- 8.1:2 That this Agreement (where applicable) when executed will constitute legal valid and binding obligations of the Borrower enforceable in accordance with their respective terms;
  - 8.1:3 That all acts, conditions and things, all consents, licenses, approvals, authorisations of, exemptions by or registration or necessary declarations with any Relevant Authorities (if any) required to be done and performed and to have happened precedent to the execution and delivery of this Agreement to constitute the same legal, valid and binding obligations of the Borrower and of the security providers enforceable in accordance with their respective terms, have been done, performed and happened in due compliance with all Applicable Laws;
  - 8.1:4 That no steps have been taken or are being taken to appoint a receiver and/or manager, liquidator or similar appointee to take over or to wind up the Borrower, or to place the Borrower under the management of a judicial manager;
  - 8.1:5 That no Event of Default has occurred and is continuing unremedied; and
  - 8.1:6 That neither the Borrower nor any of its assets or revenues is entitled to any immunity or privilege (sovereign or otherwise) from any set-off, judgment, execution, attachment or other legal process.
- 8.2 Each of the representations and warranties contained in Clause 8.1 shall survive and continue to have full force and effect after the execution of this Agreement. The Borrower hereby represents and warrants to the Lender that the above representations and warranties will be true and correct and fully observed until the Loan and all other amounts due and payable hereunder is fully paid.

## 9. COVENANTS AND UNDERTAKINGS

- 9.1 The Borrower undertakes and covenants with the Lender as follows:

- 9.1:1 The Borrower shall not, without the prior written consent of the Lender (which consent shall not be unreasonably withheld):
    - 9.1:1.1 effect any form of reconstruction or amalgamation by way of a scheme of arrangement or otherwise nor approve, permit or suffer any substantial change of ownership or transfer of any substantial part of its issued capital;
    - 9.1:1.2 make any loan or advance or extend credit to any person or entity or issue or enter into any guarantee or indemnity or otherwise become directly, indirectly or contingently liable for the obligations of any other person or entity except in the ordinary course of business;
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- 9.1:1.3 sell, lease, license, alienate, transfer, assign or otherwise dispose of the whole or any part of the undertaking, property or assets whatsoever and wheresoever situate present or future of the Borrower except in the ordinary course of business; or
- 9.1:1.4 amend or alter any provisions in its Memorandum or Articles of Association or such other equivalent constitutional documents to change its objects, borrowing or charging powers in such a manner so as to adversely affect the ability of the Borrower to perform or comply with any one or more of its obligations under this Agreement.

## **10. EVENTS OF DEFAULT**

10.1 Each of the following occurrences shall constitute an Event of Default:

- 10.1:1 The Borrower fails to pay any sum whether as to principal, interest, fees or any other sum due and payable hereunder on the Maturity Date or any due date or dates hereunder; or
  - 10.1:2 The Borrower commits or threatens to commit any breach or fails or threatens not to observe any of the obligations accepted or undertakings given by its execution and delivery of this Agreement (other than a failure to pay any sum due hereunder) and such breach or omission is not remedied within seven (7) days after notice of the breach has been given to it; or
  - 10.1:3 Any representation or warranty made or deemed to be made by the Borrower in this Agreement or the Finance Documents or any notice, certificate, instrument or statement contemplated by or made or delivered pursuant to this Agreement or the Finance Documents, as the case may be, is incorrect or untrue or ceases to be correct or true in any material respect; or
  - 10.1:4 Anything is done, suffered or omitted to be done by the Borrower which in the reasonable opinion of the Lender may imperil the due repayment of any monies for the time being owing by the Borrower to the Lender under this Agreement or the Finance Documents; or
  - 10.1:5 If the Borrower shall make an assignment for the benefit of its creditors or enter into an arrangement for composition for the benefit of its creditors; or
  - 10.1:6 An effective resolution is passed, a petition is presented or analogous proceedings are commenced or a formal order is made by any Relevant Authority, for the winding-up, insolvency, administration, judicial management, dissolution or bankruptcy of the Borrower, or for the appointment of a receiver and/or manager, liquidator, administrator, trustee, judicial manager or any other person pursuant to the provision of any agreement or under any Applicable Laws to take over the whole or any part of the undertaking, property or assets of the Borrower; or
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- 10.1:7 An encumbrancer takes possession of or a receiver is appointed over or a distress or execution is levied upon or against the whole or any substantial part of the undertaking, property or assets of the Borrower and is not discharged within seven (7) days of the taking of possession or appointment of receiver or levy of execution or distress; or
- 10.1:8 If there shall occur a change in the business assets, financial position of the Borrower which in the reasonable opinion of the Lender materially affects the ability of the Borrower to perform any of its obligations under this Agreement or the Finance Documents; or
- 10.1:9 If there shall occur a change in the operations and/or management of the Borrower which in the reasonable opinion of the Lender materially affects the ability of the Borrower to perform any of its obligations under this Agreement or the Finance Documents; or
- 10.1:10 This Agreement and/or any the Finance Document is not, or is claimed not to be, in full force and effect.
- 10.2 Notwithstanding any other provision of this Agreement and without prejudice to any other rights and remedies to which the Lender may be entitled under the Applicable Laws, if any Event of Default shall occur for any reason whatsoever (and whether such occurrence shall be voluntary or involuntary or come about or be effected by operation of law or otherwise), the Lender may by written notice to the Borrower declare that (a) the Commitment (or any part thereof) be cancelled and/or (b) the Loan and all other sums of money due or to become due and payable by the Borrower to the Lender under this Agreement shall immediately become payable to the Lender who shall be entitled forthwith and without further notice to the Borrower to enforce payment.
- 10.3 The Lender shall not be answerable for any involuntary loss incurred by the Borrower resulting from the exercise or execution of the powers which may be vested in the Lender by virtue of this Agreement or by any Applicable Laws. Without prejudice to the other provisions of this Agreement, the Borrower shall indemnify and keep indemnified the Lender in full and hold the Lender harmless from and against any losses, costs, charges or expenses whatsoever, legal or otherwise, which the Lender may sustain, suffer or incur as a consequence of or in connection with any Event of Default and/or the cancellation of the Commitment (or any part thereof) and/or the declaration of the Loan (and all other sums of money due or to become due and payable by the Borrower to the Lender under this Agreement) to be immediately payable as aforesaid.
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## **11. WAIVER**

- 11.1 The Lender may from time to time and at any time waive either unconditionally or on such terms and conditions as it may deem fit any breach by the Borrower of any of the covenants, undertakings, stipulations, terms and conditions herein contained and in any modification thereof but without prejudice to its powers, rights and remedies for enforcement thereof. Provided always and it is hereby expressly agreed and declared that any waiver by or neglect or forbearance of the Lender to require and enforce the payment of any moneys owing hereunder at any time which may be given to the Borrower shall not in any way prejudice or affect the right of the Lender afterwards at any time to act strictly in accordance with the provisions thereof. The rights and remedies herein provided are cumulative and are not exclusive of any rights or remedies provided by law.
- 11.2 The liability of the Borrower hereunder shall not be impaired or discharged by reason of any time or other indulgence being granted by or with the consent of the Lender to any person who or which may be in any way liable to pay any of the moneys owing by the Borrower hereunder or by reason of any arrangement being entered into or composition accepted by the Lender modifying by operation of law or otherwise the rights and remedies of the Lender under the provisions of this Agreement and the Applicable Laws.

## **12. SUCCESSORS**

- 12.1 This Agreement shall be binding upon and inure to the benefit of the Borrower and the Lender and their respective successor(s). All covenants, undertakings, stipulations, agreements, terms, conditions, representations and warranties given, made or entered into by the Borrower under this Agreement, shall survive the making of any assignments or the result of any succession in title in connection therewith.
- 12.2 The Lender may assign or transfer all or any of its rights, benefits, duties and obligations hereunder at any time. The Borrower shall have no right to assign or transfer any of its rights hereunder and it shall remain fully liable for all of its undertakings and obligations hereunder and for the due and punctual observance and performance thereof.
- 12.3 The Borrower hereby acknowledges and consents to the fact that the Lender shall be entitled at any time and from time to time to disclose to prospective assignees or transferees any information within its knowledge relating to the Borrower, whether such information has been acquired by the Lender pursuant to or in connection with this Agreement or otherwise.

## **13. COSTS AND EXPENSES**

As separate and independent obligations, the Borrower shall pay forthwith on demand to the Lender:

- 13.1 All legal fees (on a full indemnity basis) and other costs and disbursements whatsoever including but not limited to stamp or other duties incurred in connection with demanding and enforcing the payment of moneys due hereunder or otherwise howsoever in enforcing this Agreement or any of the covenants, undertakings, stipulations, terms, conditions or provisions of this Agreement or any other documents required under the provisions of this Agreement or incurred in connection with any delay or omission on the part of the Borrower to pay any stamp or other duties in connection with this Agreement or any document ancillary hereto or incurred in the course of granting of any waiver, consent or variation of this Agreement or any document ancillary thereto.
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#### 14. NOTICE

- 14.1 All notices, requests, demands or other communications under or in connection with this Agreement shall be given or made in writing and delivered by post or transmitted by electronic mail or facsimile to the relevant addresses and numbers specified below:

14.1:1 to the Borrower : **Finger Motion Company Limited**  
Unit 912, 9/F., Two Harbourfront,  
22 Tak Fung Street, HungHom,  
Kowloon, Hong Kong  
Attention: Mr. Martin Shen

14.1:2 to the Lender : **Dr. LIEW YOW MING**  
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[\*\*\*\*]  
Attention: Dr. Liew

- 14.2 Any notice, request or other communication addressed to any Party hereto, whether dispatched by hand or transmitted by electronic mail or facsimile, shall be effective only upon actual receipt by the addressee.

#### 15. CURRENCY INDEMNITY

If under any Applicable Law, any payment to the Lender under or in connection with this Agreement (whether pursuant to any judgment, court order or otherwise) is made or falls to be satisfied in a currency (the “**Other Currency**”), other than that in which the relevant payment is due (the “**Required Currency**”), then, to the extent that the payment (when converted into the Required Currency at the rate of exchange as conclusively determined by the Lender on the date of payment, or if it is not practicable for the Lender to purchase the Required Currency with the Other Currency on the date of payment, at the rate of exchange as soon afterwards as it is practicable for them to do so) falls short of the amount due under the relevant provisions of this Agreement, the Borrower shall, as a separate and independent obligation, indemnify and hold harmless the Lender against the amount of such shortfall and the Lender shall have a further separate cause of action against the Borrower to recover the amount of such shortfall. For the purpose of this Clause, “**rate of exchange**” means the rate at which the Lender is able on the date of payment or such other date to purchase the Required Currency with the Other Currency and shall take into account any premium and other costs of exchange.

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**16. LAW AND JURISDICTION**

- 16.1 This Agreement shall be governed by and interpreted and construed in accordance with the laws of Hong Kong.
- 16.2 Any dispute, controversy or claim arising out of or in connection with this Agreement and the documents contemplated hereunder, including any question regarding its existence, validity or termination, shall be referred to and finally resolved by arbitration in Hong Kong. The language of the arbitration shall be English.
- 16.3 In the event that recourse to the courts shall be necessary for the purpose of determining any question of law required to be determined for arbitration, the Parties hereto hereby submit to the non-exclusive jurisdiction of the Courts of Hong Kong.

**17. SEVERABILITY**

If any Clause or sub-Clause or part of a Clause or sub-Clause in this Agreement is held or found to be void, invalid or otherwise unenforceable, it shall be deemed to be severed from this Agreement but the remainder of this Agreement shall remain in full force and effect.

**18. ENTIRETY AND MODIFICATION**

- 18.1 This Agreement embodies all the terms and conditions agreed upon between the Parties hereto as to the subject matter of this Agreement and supersedes and cancels in all respects all previous agreements and undertakings, if any, between the Parties hereto with respect to the subject matter hereof, whether such be written or oral.
- 18.2 No modification nor any further representation, promise or agreement in connection with the subject matter of this Agreement is binding upon any Party unless made in writing and signed by the Parties or the respective authorized representatives of the Parties hereto.

**19. COUNTERPARTS**

This Agreement may be executed in any number of counterparts by any Party or Parties on separate counterparts, each of which when executed and delivered shall have the same effect as if the signatures and seals on the counterparts were on a single copy of this Agreement. Such counterpart executed by one Party may be received by facsimile or electronic mail (and shall be valid and effectual as if executed as an original), followed by the original delivered to the other Party.

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**APPENDIX A**

To: **Dr. Liew Yow Ming**

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Date: \_\_\_\_\_

Dear Sir(s),

**DRAWING NOTICE**

1. We refer to the loan agreement dated 1 June 2024 made between us as borrower and you as the Lender (the “**Agreement**”). Expressions defined in the Agreement shall have the same meanings when used in this Drawing Notice.

2. Pursuant to Clause 4 of the Agreement, we hereby give you notice of our intention to affect the Drawdown, the details of which are set out below:

2.1 Date of intended Drawdown : \_\_\_\_\_

2.2 Amount of the intended Drawdown : SGD \_\_\_\_\_ (SINGAPORE DOLLARS \_\_\_\_\_ ONLY)

2.3 Payment instructions : Please remit the full amount as required under this Drawing Notice to the following bank account :-

Account Name : FINGER MOTION COMPANY LIMITED

Account No. : [\*\*\*\*]

(SGD) : [\*\*\*\*]

Bank : [\*\*\*\*]

Bank Country : [\*\*\*\*]

Bank Address : [\*\*\*\*]

[\*\*\*\*]

: [\*\*\*\*]

Swift Address : Unit 912, 9/F., Two Harbourfront,

Beneficiary 22 Tak Fung Street, Hunghom, Kowloon,

Address Hong Kong

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3. We confirm:
- 3.1 that each of the representations and warranties contained in Clause 8 of the Agreement is true and accurate in every respect;
  - 3.2 that each of the covenants and undertakings contained in Clause 9 of the Agreement has been complied with in every respect; and
  - 3.3 that no Event of Default (as defined in Clause 10) has occurred and remains unremedied.
4. We represent, warrant and undertake that our above confirmation will continue to be true and accurate in all respects until the Loan and all other sums due and payable under the Agreement are fully paid and the other obligations (whether express or implied) under the Agreement are fulfilled by us.

Yours faithfully,  
for and on behalf of

**FINGER MOTION COMPANY LIMITED**

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Name: Martin Shen  
Designation: CEO

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## CERTIFICATION

I, Martin J. Shen, certify that:

1. I have reviewed this Form 10-Q of FingerMotion, Inc.;
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(s) and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the 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; and
5. The registrant's other certifying officer(s) 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: June 28, 2024

/s/ Martin J. Shen

Martin J. Shen, Chief Executive Officer  
(Principal Executive Officer)

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## CERTIFICATION

I, Yew Hon Lee, certify that:

1. I have reviewed this Form 10-Q of FingerMotion, Inc.;
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(s) and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the 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; and
5. The registrant's other certifying officer(s) 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: June 28, 2024

/s/ Yew Hon Lee

Yew Hon Lee, Chief Financial Officer

(Principal Financial Officer and Principal Accounting Officer)

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**CERTIFICATION PURSUANT TO  
18 U.S.C. SECTION 1350  
AS ADOPTED PURSUANT TO  
SECTION 906 OF THE SARBANES-OXLEY ACT OF 2002**

The undersigned, Martin Shen, the Chief Executive Officer of FingerMotion, Inc., and Yew Hon Lee, the Chief Financial Officer of FingerMotion, Inc., each hereby certifies, pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, that, to their knowledge, the Quarterly Report on Form 10-Q of FingerMotion, Inc. for the quarterly period ended May 31, 2024 fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934, and that the information contained in the Quarterly Report on Form 10-Q fairly presents in all material respects the financial condition and results of operations of FingerMotion, Inc.

Date: June 28, 2024

/s/ Martin J. Shen

Martin J. Shen, Chief Executive Officer  
(Principal Executive Officer)

/s/ Yew Hon Lee

Yew Hon Lee, Chief Financial Officer  
(Principal Financial Officer and Principal Accounting Officer)

A signed original of this written statement required by Section 906, or other document authenticating, acknowledging, or otherwise adopting the signature that appears in typed form within the electronic version of this written statement required by Section 906, has been provided to FingerMotion, Inc. and will be retained by FingerMotion, Inc. and furnished to the Securities and Exchange Commission or its staff upon request.

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